JULY 1953

The Mortgage Banker

MBA Cover Girl...
to remind you of your date
NOVEMBER 9 to 13

MORTGAGE BANKERS ASSOCIATION OF AMERICA
MBA
ORGANIZED 1914

in this issue — PREVIEW OF MBA'S 40TH ANNUAL CONVENTION IN MIAMI BEACH

MBA Calendar

June 22-26, 1953, Sixth Annual Mortgage Banking Seminar, Northwestern University, Chicago.

June 29-July 3, 1953, Third Annual Advanced Mortgage Banking Seminar, Northwestern University, Chicago.

August 17-21, 1953, Second Western Mortgage Banking Seminar, Stanford University, Stanford, Calif.

November 9-13, 1953, 40th Annual Convention, Miami Beach.

January, 1954, Senior Executives Course, New York University, New York.

February 25-26, 1954, Midwestern Mortgage Conference, Conrad Hilton Hotel, Chicago.

April 12-13, 1954, Eastern Mortgage Conference, Commodore Hotel, New York.

THE MONTH'S COVER

What's this—a bathing beauty on the cover of *The Mortgage Banker?* Well, of course, and why not? What better reminder could there be that, come November 9 to 13, you have a date in Miami Beach, Florida for MBA's 40th annual Convention. And as a further reminder and to assist you in making your plans to be there, a special section of the magazine begins on page 13. It's about the Convention and Florida, all designed to put you in the mood for Miami Beach this Fall.

The Mortgage Banker

please route to:

1 ____
2 ____
3 ____
4 ____

PUBLISHED MONTHLY BY THE **MORTGAGE BANKERS ASSOCIATION OF AMERICA**

GEORGE H. KNOTT, *Editor*

Executive and Editorial Office
111 West Washington Street, Chicago 2

Washington Office
1001—15th St., N.W., Washington 5, D. C.

THE MORTGAGE BANKER is distributed monthly to members of the Mortgage Bankers Association of America. Publications may reproduce material appearing in the magazine only by permission of the Association. Opinions expressed are those of the authors or the persons quoted and are not necessarily those of the Association. Advertising rates on request. Subscriptions: Of the Limited, Regular and Associate dues, $4.00 is for a year's subscription to THE MORTGAGE BANKER, the official monthly publication of the Association. Separate copies 35c. Entered as second class matter at the post office at Chicago, Illinois, under the Act of March 3, 1879. Advertising rates on request.

Volume 13 **JULY, 1953** **Number 10**

Contents

Bryant's new "COMMAND-AIRE" TWINS rate as Best Mortgage Protection in Years

. . . bring year 'round conditioning to lower cost homes . . . protect against obsolescence . . . keep resale value high!

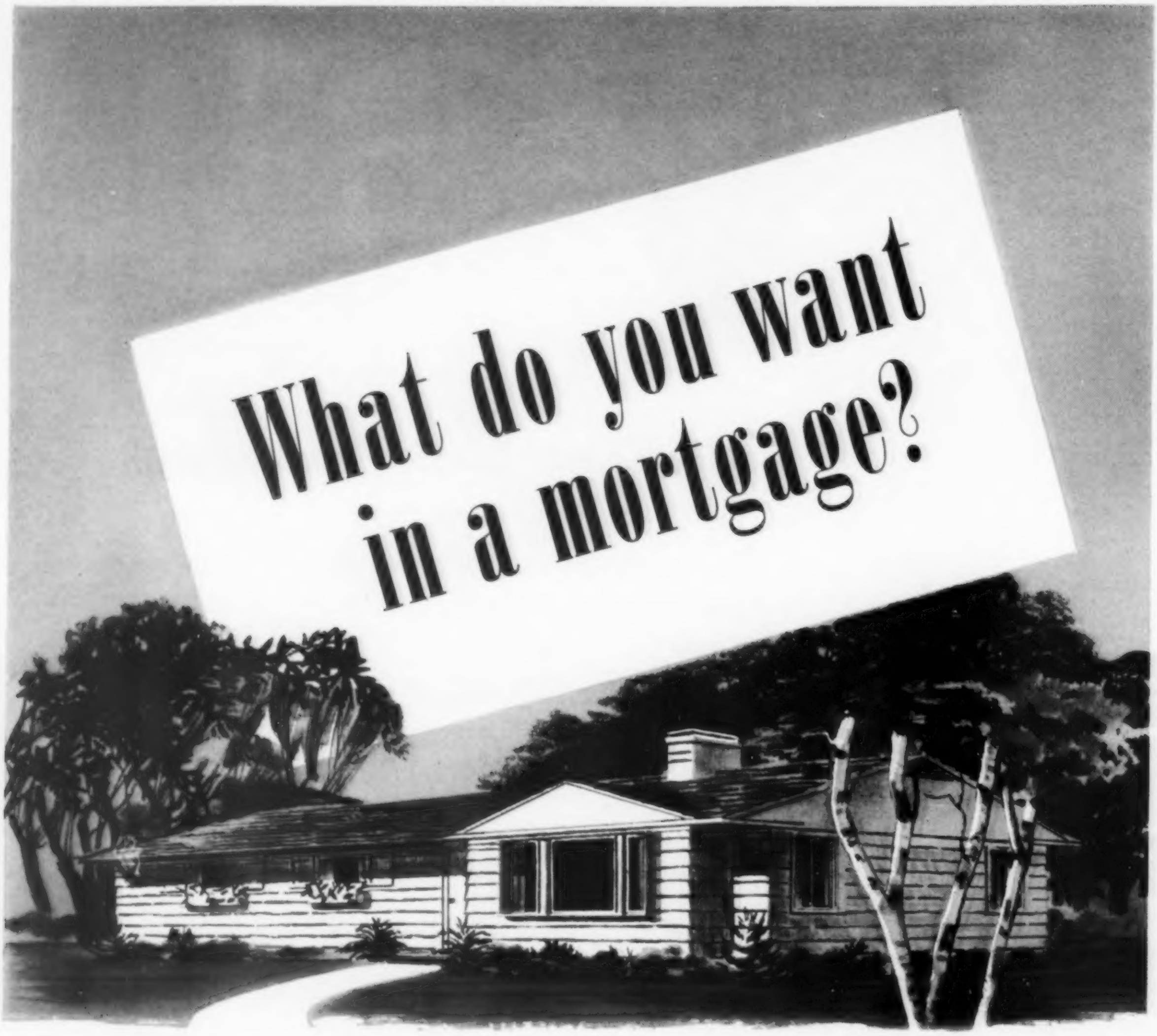
Here's why new homes equipped with Bryant's "Command-Aire" Twins represent an attractive mortgage opportunity for you. First, consider the sales appeal in year 'round conditioning that's . . .

30 to 50 per cent lower in cost! Mass production techniques have enabled us to bring the price way down . . . to make year 'round conditioning a practical feature in moderately priced homes . . . homes that buyers can afford. And these buyers have the convenient option of installing . . .

Cooling initially—or later! The "Twins" are actually independent heating and cooling units. This means a homeowner can add the cooling "Twin" to his system at any time—a feature particularly attractive in the case of open-end mortgages. And once the "Twins" are installed you enjoy this sound safeguard on your investment:

"Command-Aire" equipped homes stay modern, attractive and easily salable for years. And resale value remains high!

There's no place like home...with a bryant



You want, of course, to invest your mortgage money in homes that are well-constructed from the best materials—and you are assured of this in every Gunnison Home. You want good appearance, efficient design, and high resale value, and a Gunnison has these too.

But, besides these, there are *extra* advantages to investing in a mortgage on a Gunnison Home. Precision-factory construction insures predictable erection costs, without variation in material specifications or quality. The variety of elevations available means that each Gunnison can be individually suited to the needs of the home-owner or land evaluation. And you benefit, too, from the fact that Gunnison Homes, Inc. is an established company with many years' experience in the home-building industry.

Your mortgage investments in Gunnison Homes do two things: as a wise investment they protect your depositors, and as a stimulus to good, economical housing they contribute to the growth of your community. Gunnison Homes are a quality mortgage and a standard mortgage in the $6500 to $12,000 range.

"Gunnison" trade-mark of Gunnison Homes, Inc

USS **Gunnison Homes**

Manufactured by Gunnison Homes, Inc., New Albany, Indiana.

SUBSIDIARY OF UNITED STATES STEEL CORPORATION

Gunnison Homes, Inc.
Dept. MB-73
New Albany, Indiana

Please send me free copies of your new booklets, "Gunnison Homes Plan For Better Living" and "Let's Choose A Gunnison Home."

Name..............................

Company..............................

Address..............................

City.......................**State**.........

President's Report to Members

APPARENTLY MBA's Statement of Principles and Recommendations Concerning the Organization and Administration of the Federal Government's Housing Agencies and Programs has been favorably received in Washington.

Certain recommended steps have already been taken. Commissioner Hollyday has appointed an FHA Advisory Committee of five representing the fields of housing and housing finance. Interest rates on VA and FHA Section 203 and 207 loans have been advanced. The rate on FHA debentures has been increased. Additional authorization for Title I has been provided.

In addition, legislation has been introduced in both Houses for interest rate advances of ¼ of 1 per cent on veterans direct loans and for FHA mortgages on cooperative, military and defense rental housing. House-Senate conferees are now meeting to iron out differences in their positions on public housing. The House wants no further public housing at this time while the Senate bills seek to authorize 35,000 additional units this year.

In the meantime, the mortgage market is still up against what is probably the worst stalemate we have ever experienced and the outlook for the immediate future is, to say the least, quite confused. The interest and debenture rate increases, coming as they did almost simultaneously with the upward revision of Treasury interest rates for long-term government securities, are proving to be inadequate and ineffective in the face of the accumulated heavy volume of mortgage offerings and offerings of other types of industrial and commercial securities.

The objectionable features of the fixed interest rate are more emphatically evidenced than ever. The ¼ per cent increase on FHAs is certainly not in line with recent general advances on rates of government and corporate bonds. Many believe that the 4½ per cent VA loan would not have the rough sledding it is now experiencing if the processing of GI loans involving appraisals, credit examination and property inspection were handled by FHA facilities. Some investors who do not like the implications of the VA discount directives and practices find it difficult to make purchases at or near par when others are taking full advantage of the discounts now permitted.

It is significant that FHA has had few if any problems with questionable discount practices and many believe this may be attributed to the policy of restricting the origination of loans to established responsible lenders who are approved mortgagees and whose operations with respect to fees and charges are subject to close supervision and control. If FHA handled processing of VA loans as we have suggested and only approved FHA mortgagees were permitted to originate loans, it is reasonable to assume that there would be less disorganization, demoralization and confusion in the GI loan market.

Institutional investors seem pretty generally agreed that a major handicap facing the FHA loan today is the debenture rate. Many who are anxious to cooperate with the program and would be inclined to accept the present yield disparity of the 4½ per cent rate are nevertheless unwilling to buy the loans in view of the fact that the present rate on debentures, even with the recent increase, is so far out of line with the present bond market.

A prudent investor today must face the fact that risk of foreclosure is greatest during the first few years of the loan. In the case of a 25-year FHA loan, if foreclosure should

occur within 3 to 5 years, it would mean that the investor would receive 23 to 25 year debentures with interest at 2¾ per cent. With the recent 3¼ per cent 30-year government bond now selling at approximately a point under par, this 2¾ per cent debenture rate becomes wholly unacceptable and is certain to be a serious handicap to the marketability of the FHA loan. The FHA receives a premium of ½ of 1 per cent for what is supposed to be 100 per cent protection against loss of mortgage principal. The debentures which it proposes to issue in settlement of loss claims should be marketable at par. The VA policy of paying guaranty claims in cash was generally recognized as one of the important factors which prior to recent rate increases enabled the 4 per cent GI loan to compete with the 4¼ per cent FHAs.

Under present law the FHA Commissioner has authority to advance the debenture rate to a maximum of 3 per cent. The law should be amended to vest authority in the FHA Commissioner, with concurrence by the Treasury, to fix the debenture rates at a point not in excess of 3½ per cent or in lieu thereof to provide similar authority to shorten terms of debentures so that rates within the present maximum limits may be made effective. Another alternative would be for Congress to re-enact provisions which were in effect from 1938 to 1941 exempting FHA debentures from federal, municipal and state income taxes—like public housing bonds!

As this is written, both the House and Senate Banking Committees are hearing testimony on S. 2103 and H.R. 5667, companion bills which propose to amend the National Housing Act. A sub-committee of the House Committee on Veterans Affairs is holding a hearing on the shortage of GI loan funds and the directive of May 18th on fees and charges. MBA General Counsel Samuel E. Neel and James W. Rouse, chairman of the MBA GI Committee, are representing the Association. Some of the things which we propose to help overcome the problems in the present mortgage market will be emphatically set forth.

The proposed provisions for lower down payments and increased insurable amounts for FHA loans have been eliminated from the Administration's new housing bill. It is reported that the Federal Reserve objected to the increased insurable amounts and the downward adjustment of equity requirements on the grounds that they constituted a move toward liberalization of credit contrary to present FRB policies. It is apparent that the Administration considers the housing bill now under consideration as more or less emergency stop-gap legislation. The ultimate objectives of the Administration, insofar as housing matters are concerned, are not expected to be acted upon during this session of the Congress. Recommendations of MBA are receiving very careful consideration in the studies now being made preparatory to the introduction of legislation early in the next session of Congress.

By the time this appears, several MBA committees will be meeting in Washington. Our FHA, GI, Federal Legislative and Washington Committees, together with our Mortgage Market Stabilization Committee and our Executive Committee, in addition to handling other business, will be reviewing and revising our Statement of Principles and Recommendations in the light of the present market situation and contemplated new legislation. A number of suggested revisions and additions will be given careful consideration and it is hoped that, as a result of these meetings, definite steps may be taken leading to the solution of at least some of the problems with which our members are confronted.

Brown L. Whatley, *President*
Mortgage Bankers Association of America

Hard Money Policy Here to Stay —Unless There Is a Slump

A close look at how the tight money market got that way, the position of fixed income securities generally and the possible competition which mortgages must face.

HARDLY more than two years have elapsed since the Treasury-Federal Reserve "accord," yet more bond market history has been compressed into this period than into the preceding decade. The past several months have set a particularly fast pace in the unfolding of an erratic, at times disorganized, but extremely interesting market for fixed income securities.

By comparison, the stock market has been a well behaved, orderly, and thoroughly dull affair.

The principal questions suggested by current events include:

» Why have the changes been so great, so rapid, and so difficult to predict?

» What do supply and demand factors suggest for the outlook?

» What will be the part played by the monetary authorities?

» What are the implications for the various categories of fixed income securities, namely, Governments, municipals, corporate bonds, preferred stocks, etc.?

» Finally, how do fixed income securities look in comparison with equities?

I have been unable to find a time during the last thirty years when, apart from war panic and money crisis situations, we have witnessed so abrupt a change in bond prices. What occurred in the public utility new issue market between January and May is without precedent for periods of steady economic activity. High quality bonds, those usually rated AA, sold to yield 3.25 per cent in January, 3.40 per cent in February and March, 3.50 per cent early in April, and as high as 3.90 per cent in May. During the same period, the longest marketable Governments declined about five points to increase their yields by 0.35 per cent and a representative index of municipal bond yields rose by about the same amount.

The explanation for the rapid rise in bond yields is to be found in the changed character of the bond market. For the most of the past three decades there was a fair amount of elasticity to the market because credit or its equivalent was available when necessary to meet an expansion in the demand for investment funds. In the 1920s, individual bond buyers were important and there existed a strong investment banking system for the distribution of new issues. Also, the commercial banks were a factor at times and their expansion of credit provided the market with a degree of elasticity. Salesmanship and bank credit combined to bring out the supply of funds so effectively that bond yields were in a stable or declining trend despite the increasing demand for investment funds from private sources.

In the 1930s, there was no problem in meeting the small demand for money, and yields declined almost continuously until the rate structure was frozen for World War II financing purposes. When private investment activity quickened in the early postwar years, only a modest increase in rates was permitted. Virtually indefinite expansibility was provided to the bond market by the well-known pegging operations of 1947 and 1948. The flow of savings, although very large, was inadequate to meet a vigorous expansion in plant and equipment outlays, working capital requirements, and real estate mortgage debt.

However, as long as the Federal Reserve stood ready to buy long-term Government bonds at what amounted to fixed prices, the thrift institutions, which had accumulated much larger holdings than they really wanted, could comfortably meet private borrowing demands and readily make commitments for months ahead.

The easing of the money markets was discontinued in 1953, however, and no steps were taken to assist

By ROGER F. MURRAY

Vice President, Bankers Trust Company, New York

Treasury refunding operations until mid-May, when modest purchases of bills were started. Meanwhile, the outflow of gold and the increase in currency in circulation were reducing bank reserves.

So far this year, the Federal Reserve has followed a policy of permitting market forces to restrict credit, thereby complementing the announced debt management program of the Treasury.

Since there is no reservoir of individual bond buying, since the commercial banks are not a factor, and since the policy of the monetary authorities is restrictive rather than expansionary, the bond market has become a predominantly cash market. There has been some convertible bond financing in which bank credit was employed but it is not important currently.

For a supply of funds, the market must rely on the ponderous mechanism of our great thrift system, composed of the life insurance companies, mutual savings banks, savings and loan associations, and pension funds.

We know that these institutions are gathering small savings at a rate which should produce a growth in assets of $12 billion this year. While these institutions have become tremendously effective over extended periods of time, they cannot respond quickly nor is there any important elasticity in the flow of funds over a few weeks or months.

Consequently, the rapidity of bond market changes, the lack of continuity in prices, and the disorderly conditions which have prevailed at times can all be recognized as the typical characteristics of a cash market. The size of the adjustment which has taken place, however, must be attributed to an additional factor: the aggressive manner in which the Federal Reserve and the Treasury have presented a united front in carrying out the return to a free market. While the Treasury was firmly stating its intention to get on with extending the maturities of the debt, Federal Reserve officials were emphasizing the fact that this operation would be conducted without help in the form of market support.

The notice given by the authorities early in the year as to what the program would be, accompanied by the Treasury's need for money before the June tax collection period, was all the warning corporate financial officers needed and they went right to work. Only the time required for processing registration statements and the restraint of underwriters kept the whole year's new-money offerings from coming to market before the middle of April.

Alerted to the fact that the Treasury would be a vigorous competitor for the stable flow of thrift money, borrowers raced to meet their requirements as soon as possible on the correct assumption that the laggard would pay the higher rate. Thus the extent of the rise in rates this year is attributable in large part to the "open-mouth" policy of the authorities and the prompt response which it evoked from borrowers and lenders alike. A predominantly cash market was bound to react sharply. Once confidence was impaired, the declines spread to all sectors of the market and the heavy volume of new financing required pricing at a new level.

Between June 1951 and the end of 1952, bond prices fluctuated within a relatively narrow range, with intermediate rallies and declines reflecting the ebb and flow of new corporate borrowing. A precarious equilibrium was gradually established in the absence of Treasury borrowing at long-term. Under these circumstances, the offering of even $1 billion of new 30-year 3¼ per cent bonds as a competitor for the limited supply of funds had the anticipated effects on the rate structure for private borrowing. Thus we now have the Treasury adding a portion of its very large requirements to the eager bidding for nonbank funds. As a result, the competition has been rough. Surfeited with government securities during the war and prewar years, the leading thrift agencies have had a real appetite only for corporate obligations and real estate mortgages. Thus, given a good spread as at present, the institutional buyer prefers other outlets to governments.

For 1953, there is fairly close balance of demand for, and supply of, long-term funds

Corporate borrowers are not the only competitors, of course. Housing bonds backed by the Federal Government's credit, and offered to yield up to 3 per cent fully tax exempt at the long end, do not make the new taxable 30-year 3¼ per cent bond look attractive. By raising the rate to 4½ per cent on FHA insured and VA guaranteed mortgages, the government also has made it hard for itself to compete for nonbank funds. The tendency then, in this period of high demand is for investors to be attracted elsewhere and to be unresponsive to the Treasury's offerings.

As long as private demand stays high and the Treasury is also in the competition for funds, long-term rates will continue to rise. Ultimately the supply and demand situation in the capital market will determine the point at which an equilibrium is established. Taking into account corporate bond borrowing, state and municipal financing, and real estate mortgage volume, it would appear that *for 1953 as a whole there is a fairly close balance between the supply of and demand for long-term funds.* This approximate balance has not been evident because of the acceleration of offerings stimulated by Treasury announcements, but it should become apparent as the market completes working through the congested new issue calendar.

In my opinion, 1953 is likely to witness a levelling off, and 1954 some decline, in this aggregate demand from private sources. What the Treasury and the Federal Reserve will do is more difficult to predict, but perhaps we can make some educated surmises.

The actions of the Treasury and the Federal Reserve since the first of the year have been entirely consistent with a program of fighting the inflationary pressures generated by a budget deficit at a time of full utilization of resources. The program has also been designed to postpone, if possible, some portion of the high level of capital goods activity to next year or the year after, when a backlog in this area might be highly desirable from the standpoint of eco-

nomic stability. The activities of the Federal Reserve and the Treasury have been quite effective in checking any possible tendency for a "confidence boom" to develop.

The various measures which have been taken to keep credit tight and to compete with private borrowers in the long-term market have actually been employed in a firm but not aggressive manner. They seem drastic only by comparison with the long pursuit of extremely easy money policies during the past twenty years. The program does not have raising interest rates as its primary objective, although some value is seen in having higher rates in effect because they permit more room for easing rates at some future time if this should appear desirable. Rather, the goal has been to permit rates to be determined by the demands for investment funds in a period of peak economic activity. The results reflect the price for money set by a comparatively free market.

The new Administration has been quite explicit in stating its willingness and intention to take all useful measures available to combat a recession if one should begin. High on the list of these measures, ranking perhaps just below tax reduction, is a material easing in the credit situation.

The monetary authorities are fully prepared to reverse completely the restrictive policies of recent months if a downturn in business activity should become visible. It is clear, however, that they will not reverse present policies on the basis of a forecast, hunch, or educated guess that such a decline may start some months from now.

It seems reasonable to suppose that *as long as the business picture remains strong, present policies will remain in effect,* subject to whatever modifications may be necessary or appropriate in connection with financing the substantial cash deficit. I would suggest that the behavior of bank loans will be the most reliable guide to the credit policy of the future. If the seasonal rise which usually accurs in the fall is more moderate than expected, we should look for some relaxation of the pressure on bank reserves. On the other hand, if the rise tends to exceed seasonal proportions, we should be prepared to see the Federal Reserve and the Treasury working together to keep the money market tight and to provide no relief from the keenly competitive conditions prevailing in the capital markets.

In drawing conclusions from the preceding background picture of the capital markets, the point on which one can be most positive is that *Government bonds will be available in exceedingly generous supply.* This statement appears true regardless of how the business picture develops. If the present very high rate of activity continues, the debt management policy of the Treasury will be pursued by competing with private borrowers in the long-term market. If, on the other hand, there is some deterioration in the general economic situation, there should be a fairly sharp decline in private borrowing, and the Treasury will be able to extend maturities in a market which would be ready to absorb longer-term issues. Even a modest effort to redistribute the maturities carried by the public debt would result in a very large volume of offerings. On balance, therefore, even the investor who is quite pessimistic about the business outlook should not expect a bull market in long Governments.

During the past 20 years, the cards were stacked against a fair deal for the investor in fixed income securities. Persistently declining interest rates, a rising cost of living, and the impact of highly progressive personal income taxes combined to whittle away at the real return of the bondholder. The investor in common stocks, on the other hand, benefited by the recovery from depression and the attainment of new peaks in business activity. The experience with equities was so good, in fact, that in many instances it provided a complete offset to the loss in the buying power of the dollar. The investor in high grade bonds only had his day from the fall of 1929 to the spring of 1933; but for most of the next 20 years, despite some uneasy periods such as 1938 and 1942, the equity investor enjoyed his innings.

The government seems genuinely committed to avoid further inflation of type we've had

Since the peak of the immediate postwar price rise in 1948, however, there has been considerable testimony in the economic record to the effect that inflationary forces have lost their strength. It is true that the outbreak of the Korean War set in motion a buying spree which raised prices temporarily, but for the last two years the correction has been quite complete and persistent. The basic reason is not difficult to discover. In brief, our productive capacity and scale of economic activity has caught up with the rise in the money supply which took place during the war years.

Moreover, there has been a change in the inflationary bias of our government which influenced its decisions on major questions of economic policy from 1933 through 1952. Even though it is probably true that the citizens of the United States will always vote for inflation rather than deflation, when it is necessary to make a choice, there is undoubtedly a different point of view on the subject in the present Administration.

For the first time in many years, there is actually same genuine sentiment in favor of checking the persistent loss of purchasing power suffered by all those living on fixed incomes or holding claims to dollar assets. Measures taken in the field of monetary policy and efforts being made to control Federal expenditures indicate that the Administration is determined to avoid further inflation of the type we have seen in recent years.

In one other major respect, fixed income securities look much better than they have for many years: the changed yield relationships now prevailing. During the past two years we have seen a substantial closing of the gap between bond and stock yields, and this probably will go still further. Compared with the situation which existed from 1947 through 1949, for example, the incentive to buy equities has been substantially reduced. This does not imply that carefully selected equities are not reasonably valued nor does it suggest that many stock are not still attractive for long-term investment. It does mean, however, that the investor can much more comfortably afford to take a sheltered position on the sidelines in fixed income securities.

The Loans of Uncle Sam

WITH RFC apparently on the way out, the future of Fanny May obscure to say the least and the entire conception of the federal government's lending role undergoing a critical analysis, the time has at last arrived when, apparently, the job that government and private enterprise should do is to be re-assessed. The indicated disposition of the Administration to re-appraise the whole Federal credit program has turned the spotlight on the scope of Government lending operations, their spectacular rise since the last war, and their competitive aspects with private lenders in a number of areas.

However, with all the turbulence that has surrounded its two decades of existence, the RFC will cause little more than a ripple in the pool of Federal lending and credit activities when it disappears from the scene next year. It has been slowly receding into the background while other Government lending agencies have been booming.

In 1945, at the end of World War II, total RFC loans exceeded a billion dollars and represented a fifth of all direct loans made by U. S. Government corporations and credit agencies, leaving out their guaranteeing and insuring operations. RFC loans now amount to some $700 million and are the equivalent of less than 5 per cent of all direct Federal loans currently outstanding.

Thus the end of the RFC alone, while significant as a trend, won't materially affect the Federal lending operation and its controversial elements unless there are follow-ups.

About $16½ billion of direct Federal loans are expected to be outstanding on June 30 this year. This figure is more than three times the total in 1945. It is a measure of the rapid growth in the Federal lending operation. What it means, in essence, is that the Government pumped some $11 billion into the nation's credit stream from 1945 to 1953, a period largely dominated by intense inflationary pressures and characterized by a wide rise in prices.

Loan guarantees and insurance, the other part of the Federal credit operation, are expected to exceed $28 billion this June 30 about five times the total in 1945. As an indication of the expansionist trend the Bureau of the Budget estimates that outstanding loans, guarantees and insurance taken together will be $5.6 billion higher this June than they were the year before.

Besides their broad economic ramifications, Federal lending activities likewise have a significant impact on the budget. Figures for the 1949-53 fiscal years show budget expenditures running well over a billion dollars a year involved in these operations, based on new loans less repayments. Such expenditures for the current fiscal year alone are estimated at close to $2 billion.

The bulk of direct Federal loans falls into three major areas—credits to foreign governments, aid to agriculture, and housing. The first category, which includes the $3¾ billion loan to Britain in 1947 and since reduced somewhat, adds up to about $7¾ billion in all and currently represents about half of all direct Federal loans.

A total of more than $4.2 billion in direct loans outstanding to agriculture as of this June 30 was estimated by the Bureau of the Budget when its analysis was made several months ago. However, the final amount of such loans is expected to be considerably higher than originally anticipated in view of the recent large increase in expenditures by the Commodity Credit Corporation.

As to housing, about 75 per cent of direct Federal loans consist of mortgage purchases by FNMA. Most of these are mortgages guaranteed by the Veterans Administration.

About 95 per cent of the $28.4 billion of Federal loan guarantees and insurance estimated to be outstanding this June 30 are in the housing field, FHA and VA. The latter, according to the Bureau of the Budget, had guaranteed nearly 3 million loans of all types as of last June 30. Of these, about 92 per cent were for homes, 6 per cent for business, and 2 per cent for farms.

The following table gives the scope and trend of Federal credit operations by total amounts outstanding (in billions of dollars) at the end of the 1952 and 1953 fiscal years:

DIRECT LOANS AND INVESTMENTS

Agency or Program	1952	1953(e)
Foreign	$ 7.6	$ 7.8
Mutual Security Agency	1.5	1.6
Export-Import Bank	2.4	2.5
Loan to Britain	3.7	3.7
Domestic	7.3	8.8
Agriculture	3.6	4.2
Housing Agencies	2.8	3.4
RFC	0.7	0.7
Defense Production	0.1	0.3
Veterans Admn.	0.1	0.2
GUARANTEES AND INSURANCE		
Housing Agencies	$16.1	$18.8
Veterans Admn.	7.5	8.5
Defense Production	0.7	0.8
Agriculture	0.1	0.2
RFC	*	*
Grand Total	$39.3	$44.9

(e) Estimated.

* Less than $50 million.

Note: Figures may not add to totals because of rounding.

Source: U. S. Bureau of the Budget.

Convention MBA Chronicle

VOLUME I, No. I | MIAMI BEACH, FLORIDA | JULY, 1953

Published Every Now and Then to Promote the Miami Beach Mood for November 9-13, 1953

First Thing You Will See Is MBA Exhibit

The first thing about the Convention members will see on their trip will not be a session but MBA's 14th Exhibit of Building, Industry and Services. This customary display of products and services by leading manufacturers and organizations will be held in the foyer of the Miami Beach Auditorium directly adjoining the meeting hall. It is not as large as in previous years because space available for it is limited. Fourteen leading companies will participate in this year's show, including Carrier Corporation, General Electric Company, Briggs Manufacturing Company, National Homes Corporation, Gunnison Homes, Westinghouse Electric Company, American Gas Association, Midwest Houses, York Tabulating Company, Portland Cement Association, Hartford Fire Insurance Company, the Tucson MBA, the F. C. Russell Co., Investors Diversified Services, General Electric's Air Conditioning Division and Financial Publishing Company. To reach the Convention Hall, members will get an opportunity to inspect the exhibits each time they attend the sessions.

In addition, a number of Florida municipalities will have displays at the Convention. These are being arranged by C. W. Kistler, president, The C. W. Kistler Company, Miami, chairman of this committee. Municipal exhibits are in charge of R. T. Tucker, Tucker & Branham, Inc., Orlando.

Every exhibit will have considerable interest for practically every mortgage man attending. The time you spend with exhibitors will be profitable—and it's more compact and easier to inspect this year than before.

While Convention sessions are 10 A.M. to 1 P.M., exhibit hours will be somewhat longer.

It Will Be Here Before You Know It—MBA's 40th Annual Convention

IT'S MORE than five months away but already your Association's 40th annual Convention seems pretty close at hand, principally because so many members planned early and made their arrangements early. With more Convention facilities—such as the kind of hotel accommodations which answer MBA Convention requirements—available than in many years, members apparently made up their minds right after the original announcement that "this is one meeting I won't miss." And they acted promptly. Months ago, more than 1,500 people had made hotel reservations and more are coming in all the time, indicative of another big annual get-together for the mortgage industry.

The Convention plans are well underway and many are complete except for final word on several parts of the program itself. Complete details of that will be coming along in another edition of the *MBA Convention Chronicle*. In the meantime, this initial issue contains some ideas and suggestions for members to think about during the summer when they are making their own plans to be there.

>> NEW IDEA: We're breaking precedent this year and scheduling only five Convention sessions—even though we have a five-day Convention. Explanation: only one session a day—10 A.M. to 1 P.M.—Reason of course is the fun-spiked atmosphere of Miami Beach; better to limit the sessions a little and turn out some good ones rather than try to do too much and run up against the heavy competition of Miami Beach fun offerings.

>> PROGRAM: But no member should lose sight of the fact that he's coming to a *Convention* and that it's not all play. That would be a decidedly incorrect idea. The Convention program is serious business. It will look into the important matters of concern to the mortgage industry today, we will hear some pronouncements by a number of distinguished personalities on the national level of government and business and, it is hoped, we will be a good deal better informed when we leave than when we came.

The Program Committe has some novel ideas about programming that are sure to please MBA Convention goers this year and reward them for the time they give to attending. We'll save the details for the next issue of the *Chronicle* when they can be announced with impressive completeness.

>> THINGS TO DO: Your time outside Convention time is principally what this issue of the *Chronicle* is concerned with. We'll hit the high spots; to cover them all, even in a sketchy way, would take several issues. What we principally had in mind was to put you in the Miami Beach-Convention mood so you'll be thinking of what's in store November 9 to 13. And if you happen to be one of those who hasn't yet planned to go, then this initial *MBA Convention Chronicle* should, we hope, get you in the mood to plan and act—without delay. Better not miss the Convention where you hear the mortgage business analyzed and reviewed in what certainly is one of the most critical periods in the nation's financial economy.

>> ARRANGEMENTS: If you're going, you naturally must have some

This is it, like a gem on the ocean, gay, glittering, colorful Miami Beach.

You're sure to be spending some time in the water or just getting a good sun tan.

No place else in these United States is there a boulevard like Collins Av.

Excellent way to see Miami Beach is over the 30 miles of inland waterways.

place to stay, and about 1,500 have already been assigned hotel accommodations—that's members and wives. Biggest aggregation of wives ever to attend an MBA meet will descend on Miami Beach and a fine program is being planned for them. Not too much—no use to load them down with too many events because there is so much they want to see and do in their own way. But what the ladies will be offered will be most attractive and all of them will want to be in on it. Tentatively, a noon luncheon and fashion show is planned and a tour of Greater Miami sights including Villa Viscaya, the fabulous Deering estate recently acquired by Dade county, Fairchilds Gardens, etc.

Then, of course, better decide on how you're traveling. By train or plane it's simple; but if you're driving, there are all sorts of routes. However you go, you're sure to miss many interesting things you could have caught had you gone the other way. Look into that matter now if you're driving.

›› CRUCIAL YEAR: So many times in the past these MBA Convention announcements have loudly proclaimed that "these are serious times" and that the meeting coming up is "one you dare not miss for the future of your business." They were all well meant and sincerely spoken. Going back only a decade, all will agree that the mortgage industry has faced many critical periods when decisions in the offing could have meant—and sometimes did mean—a great difference in the business.

We're saying it again this year with more emphasis than ever—that your 40th annual Convention is one of the most important you ever attended. These are serious times, days when possibly the whole complexion of our business may be undergoing a broad change. The place where you find out about what's going on, the problems of today and tomorrow and how best they can be met and solved is, as always, your trade Association's annual Convention. For you that's Miami Beach, November 9 to 13. So, once again, here is the usual reminder, reinforced this time with plenty of evidence: *don't miss it!*

›› NOT CANNED: No, sir, that will be real fresh orange juice you'll drink from MBA's Orange Juice Bar.

This Is the Year For Convention Side Trip

Many MBA members—maybe most of them—attending the Miami Beach meeting probably will not be satisfied with confining their trip to the Convention alone. While they are in south Florida, chances are they will want to take one or more of the innumerable side trips available to them, to places such as Cuba, the Bahamas, Puerto Rico, Haiti, Jamaica and for some, even Mexico and South America. Miami Beach and Miami are departure points for a great many trips. The MBA Florida Convention Committee, in conjunction with the Stevens Travel Service of Miami Beach, has arranged a series of excellent tours and excursions. There is such a wide selection that few attending the Convention will want to miss catching at least one. All of them are scheduled to begin after the close. For example, to see Havana there is a one day trip on Saturday, November 14, a two-day and two-night excursion or a three-day cruise.

To see Nassau you have an equally wide selection, a one day excursion, a weekend cruise or a longer trip. Or then you can take in Nassau and Jamaica on an eight day excursion; and while you're down that way, if you'd like to do still more, there is a ten day island tour, catching Cuba, Jamaica, Haiti, Dominican Republic and Puerto Rico.

All of these and many others are outlined in a special folder prepared for the MBA Convention. If you haven't made plans yet, you should write immediately. Ask the MBA national office for the folder and all details. You may want to get up a party of your own, but whether you do or not, you're sure to see a lot of MBA people on whatever tour you take. Better take advantage of the opportunity when you are in Florida.

» INFORMATION GALORE: You'll never be at sea as to what's going on during the Convention or how to get any place. The Florida Convention group is seeing to that by having information booths, each manned by a committee member, in all MBA Convention hotels. Whatever questions you have, they'll know the answers.

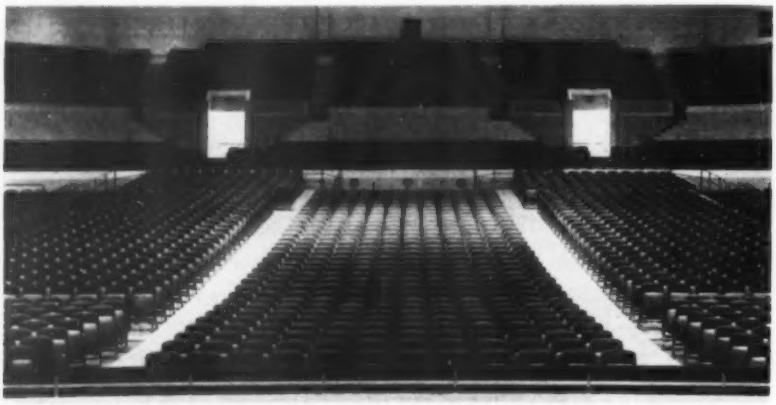
The other big street in Miami Beach is Lincoln Road, fabulous shopping center.

If fishing appeals, you will be in the spot for going after some big ones.

The hotel and residential construction in Miami Beach alone is something exciting to see.

The sight-seeing boat is ready to take you on one of scores of interesting trips.

» YOU'LL MEET HERE: This is the Municipal Auditorium of Miami Beach where the meetings will be held and where all Convention activity will center. With no headquarters hotel this year, here is where you will have to come to get the advantage of attending the Convention as well as see the people you want to see. It's a beautiful, modern, expansive building with plenty of space for our meeting.



You Have a Lot to Do and See This Year So Start Making Plans Now

ONE thing is certain about your 40th annual Convention—you'll never lack for anything to do because almost no place in the world is so completely organized for fun and pleasure as Miami Beach. But let's not lose sight of the fact that November 9 to 13 are dates for a *Convention,* where serious business takes place and to which our primary interest should be devoted with the fun side secondary. That isn't going to be too easy in Miami Beach—which explains why your Convention Committee arranged for sessions from 10 a.m. until 1 p.m. with the afternoons open for you to do as you please.

And whatever pleases you is available in Miami Beach. Certainly you'll want to do some swimming in the ocean and in the hundreds of pools. No place, but no place, has more pools than Miami Beach and no one is likely to contest that statement. Or what about some:

» GOLF: Miami Beach is your dish. Two championship, 18-hole, municipally operated courses are at convenient spots within the city limits. For Convention attenders, green fees are remitted. Both the Bay Shore and Normandy Shores links have been the scenes of outstanding competition and experts continually praise the condition in which these grounds are maintained. There will be an MBA golf tournament at La Gorce Country Club, one of the country's finest. It's for members and wives.

» EATING: Delights of eating may be enjoyed to the fullest. There are some 400 restaurants from which to select. Menus vary from the plainest to the most elaborate.

» DRIVING: Those planning to drive to Miami Beach would do well to consider carefully the routes they take. Each has its own appeal and its own advantages. From the standpoint of sightseeing and pleasure it would be folly to use the same route in both directions.

Along the East Coast the motorist drives through America's oldest city, St. Augustine, with its Spanish fort, now a national monument. There are numerous interesting cities and villages along the coast and this road takes the traveler through the famous Indian River area which is noted for its fine oranges.

Driving through the center of the state you'll see the heart of the citrus country. At some places orange groves extend to the horizon in all directions. This area is the location of some of the great, gushing fresh water springs that give birth to the full-fledged rivers in a single source. The Bok Tower is an outstanding sight. Along this route the motorist also skirts the shores of Lake Okeechobee, largest fresh water lake entirely within the limits of a single state.

Florida's West Coast highways provide different attractions. One crosses the Suwanee river to find it a mud colored stream that drifts along in a relaxed manner between evergreen shores overhung with Spanish moss from giant live oaks. Then there are

such thriving communities as Tampa, Sarasota with its circus winter quarters, and numerous other delightful municipalities.

Miami Beach is reached from the West Coast by a drive across the Tamiami Trail that brings a touch of civilization to the unconquered wilds of the Everglades.

Once in Miami Beach, the sights to see are innumerable. For little, the visitor may take an extensive tour of the city's streets or its 30 miles of waterways. No better method has been devised for getting acquainted with the city.

To the south lie the fabled Florida Keys that may be seen from the Overseas highway to Key West, about 160 miles from Miami Beach. To the southwest is the new Everglades National Park.

The agriculturally inclined will find much pleasure in inspecting the surrounding farm area. This is a source of vast quantities of fresh winter vegetables such as potatoes, corn, peppers, tomatoes, cabbage and beans. There also are large plantings of sugar cane, some citrus and a variety of groves with semi-tropical fruits like the avocado, mango, sapote and others.

Shopping proves fascinating to millions of Miami Beach visitors. Few other resorts, and none of similar size, provide anywhere near as wide a variety at such reasonable prices. Many nationally famous makers of resort and swim wear plan their initial showings at Miami Beach. Thus it is possible to purchase garments here that will not be available in other locations for weeks or months.

Other manufacturers also take advantage of the cosmopolitan nature of Miami Beach's visitors and use this city to introduce new articles of merchandise. National approval or disapproval can be determined, manufacturers and merchandisers have found, by using Miami Beach as a vast testing ground.

Wherever You Are, You Will Be in One of the World's Best Hotels

For anyone who hasn't been there before, probably the most startling thing about Miami Beach is the luxurious hotels along the ocean. They extend for miles and, at last count, there were more than 375 of them. No place else in the world is there such a concentration of luxury hotels. Of these, MBA members will be quartered in twenty-two located on Collins Avenue, between 16th Street and 65th Street. Among these are the Algiers, Allison, Delano, Empress, Martinique, Monte Carlo, Promenade, Robert Richter, Roney Plaza, San Marino, San Souci, Saxony, Seacomber-Surfcomber, Sea Gull, Sea Isle, Shelbourne, Sherry Frontenac, Shore Club, Shoremede, Sorrento and Versailles. To these twenty-one should be added the Delmonico, at 64th Street and Collins Avenue, which was not shown in the original folder sent to MBA members.

Incidentally, if you have not made your hotel reservations you should ask

(Continued on next page)

How Miami Beach Got This Way Is a Great American Success Story

IT'S easy these days to bandy words about with little concern whether they apply or not but if you're looking for something *fabulous* you're going to see it in Miami Beach. Nothing quite like this town has ever appeared on the American scene before; and a surprising number of MBA members will be seeing Miami Beach—and Florida too for that matter—for the very first time.

They will see a city that has grown from a mangrove swamp to a metropolis in less than a generation—the place where a real estate dealer once sold $1,000,000 in lots in less than 24 hours.

Here they will find architectural experiments and developments whose influence has spread wide. They will see palatial estates where but a comparatively few years ago were the waters of Biscayne Bay.

They will see a clean, cosmopolitan city thriving upon what 50 years ago was the graveyard of the hopes of two New Jersey men to reap a fortune from coconuts.

Typical of the history of Miami Beach is the fact that although the city now has more than a quarter of all hotel rooms in Florida, more hotels are being added all the time to the 375 it already has. How many are on the drawing boards is anyone's guess.

Miami Beach, which now boasts 45,541 permanent residents, first was settled by white men in 1567, when Pedro Menendez de Aviles established a Spanish mission here. It was short-lived and for the next two and a half centuries the beach was given over to the Indians. Then this area, and the keys that stretch away to the south, became the hideout of pirates, and later wreckers who made their living picking the bones of ships that died on the reefs that dot the coast.

The price of coconuts was high in New York in 1870. That brought dreams of riches to two Jersey men, Henry B. and Charles H. Lum, who had noticed coconuts growing on what is Miami Beach. Obtaining financial backing, they returned and planted thousands of coconut palms. But by the time the first crop was ready to harvest, the price had dropped. That seems to have been the end of this period of Miami Beach growth.

Henry M. Flagler extended his Florida East Coast railroad to this section in 1896, and with it came new life to the small trading community that had been established at the mouth of the Miami River. As this community grew, Miami Beach became more popular as a picnic and recreation area.

John S. Collins, with the help of J. N. and J. E. Lummus, started what was then the longest wooden bridge in the world. It spanned Biscayne Bay when completed and enabled Collins to bring his tropical fruits to the mainland for shipping to markets in the north.

Carl G. Fisher of Indianapolis provided funds that finally led to completion of the Collins bridge. Fisher saw great possibilities for the area that had been incorporated in 1915 as the town of Miami Beach and two years later had become a "city" with 344 residents.

Swamps were cleared and filled in. Streets were laid out and after World War I what was to become the great Florida land boom was getting under way. It reached its peak in 1925 and collapsed with a resounding crash the

HOTELS

(Continued from page 17)

the national office for a copy of this folder, listing all hotels, their rates and a chart giving their locations on Collins Avenue, which parallels the ocean. As stated elsewhere, rooms for approximately 1,500 people have already been reserved.

Hotel accommodations will present no problem at this year's annual Convention because of the thousands of excellent rooms available. Most of them are oceanfront, some include balconies and regardless of where you will be, you are certain to be living in high style.

An Equal Convention Attraction Is Seeing Miami and All It Offers

WHILE MBA's 40th annual Convention will be held in Miami Beach, its sister city, bigger and older Miami, also will be seeing a lot of our convention. If there was no Miami Beach, Miami itself would be a wonderful place for our meeting because it is one of the wonder cities of the world.

Miami has tropical climate, year-round blooming flowers, bright, clean air and the blue ocean.

There are all sorts of things to see from Miami. Everglades National Park, a 1,200,000 acre tract is a delight for ornithologists, a temptation to hunters and fishermen and a happy hunting ground for historians.

The federal government owns 85 per cent of the area near Miami, and has entered condemnation suits for the balance of the third largest park in the national system. Temporary structures have been built for the average 9,000-a-month visitors, but permanent planning will be started when all land has been acquired.

The park is the only preserve in the United States for tropical bird, plant and animal life. In it the white egret, which almost became extinct at the turn of the century, has been saved for posterity. You'll see ibis, cranes and other wading birds, as well as alligators, key deer, raccoons and similar animals.

Forests of mahogany, palms and other tropical trees grow in profusion. The park is studded with lakes and canals and head-high stands of saw-grass.

Most of the flowers which bloom throughout the year and plants and trees which stay green are not native to Miami. Like the hibiscus, bougainvillea and poinsettia, they were brought to South Florida from all parts of the tropical world.

Dr. David Fairchild, of Miami, is one of the largest collectors of strange plant life, and a county-owned garden has been established in his honor. In it may be found more than 1,000 varieties of palms, trees and tropical flora.

In downtown Miami natural attractions may also be found. Bayfront Park in the heart of the city, contains scores of varieties of palms, orchids and other plant life of the tropics. Concerts are given in the park three nights weekly.

Largest number of palms, however, are in Crandon Park, which also has two and a half miles of sand ocean beach.

Matheson Hammock Park, county-owned, and Tahiti Beach, privately-

---

next year. Miami Beach led the march back.

Miami Beach has 30 miles of inland waterways, eight miles of ocean beach, a dozen municipal parks, three championship golf courses, 130 swimming pools, 15,000 apartment units and thousands of fine homes, many of them ranking as estates.

Here is found the ultimate in comfortable living. Excellent recreational facilities include famous hotels, theaters, restaurants, pools, golf courses and a dog racing track, to say nothing of miles upon miles of waterways.

The thing for mortgage men to remember that while at first glance Miami Beach—and this goes for all of Florida to some extent—seems as if it's nothing but fun and pleasure, actually that side of it is only a part.

Florida has substance and stability. And for people in the mortgage business, that fact is reflected in the growing number of insurance companies which lend in that state.

operated, maintain land-locked waters, of Biscayne bay, as swimming pools. Venetian pool, with its coral rock outcroppings, is called the most beautiful of its kind.

There are several zoos, all different from anything in the North. There is a jungle where monkeys roam at will through trees while visitors are caged; others where brilliantly-hued macaws and parrots flit through trees, or glide earthward to perch on shoulders of visitors.

There are Indian villages within the city limits where Seminoles live in native huts and go about chores much as their forebears did a thousand years ago.

Racing and Jai Alai

Miami has three tracks for horse-racing. Since dates are staggered with 40-day meetings for each, Miami has 120 continuous days of horse racing in winter.

Greyhound racing is in operation from November until June as a result of staggered dates at four dog tracks, and jai alai, the colorful Basque game played no place else in the United States, enjoys a season of 101 days.

Since Miami is closer to Central and South America and the Caribbean than any other city in the United States, it has become the aerial crossroads of the Americas. Miami International airport, one of the largest in the nation, handles more passengers and cargo in international air traffic than any others. Planes take off or land every two and a half minutes.

What'll You Wear? That's Easy—Dress for 73 Degrees

The girls who will be Convention-bound this fall will usually start their discussion of the trip with "What will I take along?" which will gradually develop into "I really haven't got the clothes I'll need for Miami Beach" and that will lead into getting the ones she does need—or thinks she does anyway. Getting your clothes ready can be described briefly as "take mostly summer things." When MBA is there, there will be a "pleasantly mild climate" (as the Convention Bureau phrases it) with a temperature average of 73.1 degrees. So that means emphasis on the lighter clothes and not on overcoats and spats. And for MBA members themselves, this is your opportunity to wear anything and everything which you have secretly wanted to wear for years—but didn't have the nerve to do at home. That loud sports shirt or jacket you may have stashed away will be all right in Miami Beach because you'll see louder. There are times when the color of Collins Avenue reminds one of a rainbow with a belt in the back. So, whatever you have in the way of gay summer garb, bring it along. You'll be right in style.

And MBA members—and their wives particularly—will get the greatest enjoyment in seeing how people live in this tropical land, the kind of houses they have, their gardens and their residential areas. Homes and gardens often are the same, for Miami's climate permits gardens to become part of homes. The result is a new and interesting type of architecture.

Churches and schools, too are designed with tropical trees and flowers in mind, as well as to take advantages of constant breezes and trade winds.

Most notable example of the new type of architecture for larger buildings is the University of Miami, with the only entirely new postwar campus in the United States.

Trip Down The Keys

Sight-seeing bus tours take visitors to most of these attractions, and extend as far south as Key West, over the Overseas highway, a major engineering triumph.

Naturalists of the National Audubon Society lead one and two-day wildlife tours by station wagon and boat into Everglades National Park.

Sightseeing boats carry visitors through Biscayne bay, into canals and rivers, past palatial estates, jungle growths and Indian villages. Some boats are equipped with glass bottoms so you may see tropical fish swimming about. Others feature moonlight rides on Biscayne bay.

Miami is sure to be an important part of your 1953 Convention plans.

If You Think You're a Fisherman You'll Have a Chance to Prove It

PROBABLY a lot of members will conclude that they certainly aren't going to Florida without getting in some fishing. Who can blame them?

One of the things on the MBA Convention fun-docket is a fishing tournament. The Florida group has it in mind and making plans to work it out. If they do, then you'll have a chance to compete for some fishing prizes.

Fishing in Florida is excellent, both fresh and salt water. For those who like them big, a fleet of charter boats is waiting to take them to the waters of the Gulf Stream, just off shore. These sports cruisers, complete with skipper, mate and all needed tackle, may be chartered for $70 a day or $40 a half day. Six persons can be accommodated, with four fishing simultaneously.

"Party" boats also are available. These take anglers over the ocean reefs and most fishing is done with hand lines. Charges for such half-day trips are around $3 and $3.50 per person. Or you can rent boats with motor for from $10 to $12 a day, supplying your own bait and tackle.

Some prefer to drive their cars to the bridges or causeways and do their fishing from the roadside or shore. Salt water angling is available to all, but for fresh water fishing, a state license must be obtained.

Fishing is a year-'round sport but there is some change in its complexion during the seasons. Fall brings the baby sailfish, probably the most sought-after trophy of all. The "babies" run four or five feet long but weight only five to 15 pounds. As they get older the sleek blue fighters put on weight and another foot or two of length, usually tipping the balances at 50 pounds or more.

Bonefish, the favorite light tackle quarry of many fishermen, are not as numerous in winter as in summer, but they run larger at this time of year. No fisherman is qualified to select the fightingest fish that swims, pound for pound, until he has hooked one of these little jet-propelled silver beauties.

Sailfish and bonefish are just two of the many game varieties to be taken in these waters. Add dolphin, wahoo, permit, kingfish and a dozen others and the visitor has at Miami Beach one of the world's choice selections of both trophy and "eating" fish.

When you're making your Convention plans, might as well consider doing some fishing down there and plan a party now.

No One Headquarters Hotel at Convention

No headquarters hotel this year—that's the situation at the 40th Annual Convention at Miami Beach. Always in the past there has been either a headquarters hotel or co-headquarters hotels when we were using two. But not this year. While Miami Beach has the finest and the newest hotels in the country, none is very large by our standards and none could accommodate our general sesions programs. All Convention sessions, the headquarters, press and exhibit offices are in the Auditorium. So keep in mind that when you register, get your program and badge, want information or contact the people you want to see at the Convention, the Municipal Auditorium is the place. That's where the crowd will gather and that's where the activity will be. You'll never find it listed on the program but "seeing people" is always about as important as anything else at the Convention; to be sure of seeing the people you want to see at Miami Beach you'll have to do it at the Auditorium.

Football Game Also on Convention Menu

November is the peak of the football season—and in Florida as well as anywhere else.

But when one thinks of football in the Miami area, he first thinks of the great games played in the Orange Bowl Stadium on New Year's Day. There's some football on the MBA Convention menu for members who never tire of seeing a gridiron contest. It's the University of Miami playing the Virginia Polytechnic Institute. Time is Friday, November 13, at 8:15 p.m. under the lights—that's the day the Convention closes officially.

Paul M. Whatley, vice president, Stockton, Whatley, Davin & Company, Miami, has arranged for a block of excellent seats in Section PP in the south stand, between the thirty and forty yard lines. Price is $3 a ticket and orders can be sent now to the University of Miami Ticket Office, 228 S.E. First Street, Miami 32, Florida. Checks should be made payable to University of Miami and orders must be in by November 1.

MBA Buses Will Get You Around the Beach

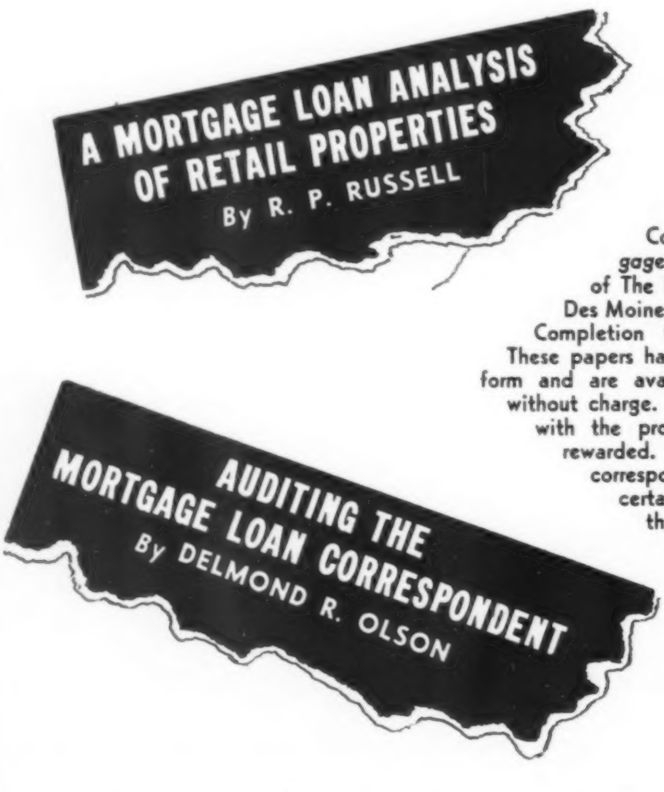
If you are wondering how you are going to get around Miami Beach you need not let it concern you because some unique transportation arrangements have been made for MBA convention-goers such as we have never had before.

The Municipal Auditorium is about in the center of the city proper and easily accessible to all hotels on the Beach. But to make it as convenient as possible for all members, regardless of where they are staying, the Convention Committee is planning to charter a fleet of buses to make regular stops at all hotels where members are quartered, at regular intervals and transport them to the Auditorium. During the hours the Convention is in session, members will find that almost any time they leave their hotel they will find convenient bus transportation awaiting them.

The Mortgage Bankers Legion Holds Meeting

That erstwhile organization which always holds its one and only meeting of the year at the MBA Convention, the Mortgage Bankers Legion, has set this year's annual affair and election of officers for Sunday evening, November 8, at the Empress Hotel. Wallace Moir, Wallace Moir Company, Beverly Hills, California, and MBA vice presidential nominee, is Legion Grand Marshall and Norman H. Nelson, The Minnesota Mutual Life Insurance Company, St. Paul, is secretary. Membership is confined to MBA members who have served at least one term on the Board of Governors.

RECOMMENDED



A Mortgage Loan Analysis of Retail Properties by R. P. Russell of the T. J. Bettes Company, Houston, and *Auditing the Mortgage Loan Correspondent* by Delmond R. Olson of The Equitable Life Insurance Company of Iowa, Des Moines, were the first two works for which the MBA Completion Certificates in Education were awarded. These papers have been published in convenient pamphlet form and are available to MBA members on request and without charge. Both can be read by every mortgage man with the prospect that the time spent will be well rewarded. Mr. Russell's study is of interest to every correspondent and originator; and Mr. Olson's will certainly interest every investor. If you want them, make your request to the headquarters office at 111 West Washington Street, Chicago 2. They will be sent promptly.

READING

Local Florida Convention Groups Organize on Comprehensive Scale

Because MBA's 40th annual Convention is a somewhat different kind of project from our usual annual meeting, there are more arrangements to be made than ever before—and Florida is equal to the task. Local planning is proceeding under one of the most comprehensive set-ups seen in the Association's history. A committe has been named for practically every conceivable activity which will affect the Convention.

R. B. Roberts, III, manager, mortgage loan department, The Keyes Company, Miami is general convention chairman and others are as follows:

Information Committee, James S. Billings, Jr., manager, mortgage loan department, Dade Commonwealth Title Insurance Company, Miami.

Transportation Committee, Lon Worth Crow, Jr., executive vice president, Lon Worth Crow Company, Miami.

Local Tours Committee, Frank E. Denton, vice president, American Title and Insurance Company, Miami.

Entertainment Committee, Paul M. Whatley, vice president, Stockton, Whatley, Davin & Company, Miami.

Publicity Committee, Allen Morris, executive vice president, The Keyes Company, Miami.

Industrial Committee, C. W. Kistler, president, The C. W. Kistler Company, Miami.

Post-Convention Trips Committee, Hart McKillop, vice president, Lawyers Title Insurance Company, Miami.

State Publicity Committee, John A. Gilliland, vice president, Knight, Orr, & Company, Inc., Jacksonville.

Florida Points-of-Interest Committee, George W. Lubke, Jr., president, Southeastern Mortgage Company, Daytona Beach.

Municipal Exhibits Committee, R. T. Tucker, president, Tucker & Branham, Inc., Orlando.

State Industrial Committee, J. H. Skemp, vice president, Eugene Knight, Inc., Tampa.

This Convention group will work in cooperation with the recently-organized Florida MBA and the Greater Miami MBA—the latter having just installed new officers who will direct the group's activities during our Convention. They are R. C. Houser, Florida Bond & Mortgage Co., Miami, president; Mr. Roberts, vice president; and secretary-treasurer, Henry E. Wolff, Henry E. Wolff Company. Board members are Mr. Denton; Bowen Nelson, Nelson Mortgage Company, Inc.; W. L. Randol, National Title Insurance Co.; and Robert S. Kistler, C. W. Kistler Company, all of Miami.

New Members in MBA

CALIFORNIA—*Riverside:* Marcus W. Meairs Company, 3945 Market St., Marcus W. Meairs, president; *San Carlos:* Peninsula Mortgage Company, 1271 Laurel St., Louis F. Rosenaur, president.

FLORIDA — *Miami:* Bretthauer Co., 2910 Biscayne Blvd., C. H. Bretthauer; *Sarasota:* Huntoon, Paige & Co., 105 Central Avenue, Josiah P. Huntoon, Southeast Representative.

ILLINOIS—*Springfield:* Lawyers Title Insurance Corporation, 101 South 4th Street, Kenneth C. Crowder, manager.

INDIANA—*Hammond:* Mercantile National Bank of Hammond, 5243 Hohman Avenue, Adelbert N. Langendorff, vice president.

LOUISIANA—*New Orleans:* Gulf Coast Investment Corporation, 712 Whitney Bank Bldg., Charles W. Hansbrough, vice president.

MAINE—*Portland:* Union Mutual Life Insurance Company, P.O. Box 548, Carleton G. Lane, vice president.

MICHIGAN—*Detroit:* Gerald F. Dewhirst, c/o National Bank of Detroit, 660 Woodward Avenue.

MISSOURI—*Independence:* Land Title Abstract Co., Inc., 118 South Osage St., Floyd L. Snyder, president.

NORTH CAROLINA—*Asheville:* R. P. Booth & Company, 14 Church St., R. P. Booth.

OHIO—*Columbus:* The Kissell Company, 37 West Gay Street; *Dayton:* The Kissell Company, 1309 Third National Bldg.; *Mansfield:* The Kissell Company, 316 Walpark Bldg.

PUERTO RICO—*San Juan:* James T. Barnes & Company, P.O. Box 4668, Paul F. Aguirre, vice president.

TEXAS—*Beaumont:* C. P. and C. Investment Co., Box 1129, J. E. Callaway, secretary; *Dallas:* Huntoon, Paige & Co., 1208 National City Bldg., E. Travers B. King, Southwest Representative; *Midland:* Thomas P. Ingram, Suite 129-130 McClintic Building.

VIP . . . . *these*

Yes, very important people indeed—to you and your business. These are the younger people who will play an increasingly active part in running your operation. Isn't it just good business sense to make them as well equipped as possible to do their jobs? For little money—and little time away from the office—you can make an excellent investment in the future of these younger people—*and your business* —by sending them to MBA's

WESTERN MORTGAGE BANKING SEMINAR

Stanford University, Stanford, California
August 17 to 21, 1953

Don't put it off . . . do it *this year* so that these people will become more valuable to your business now. The Western Seminar is a complete educational course in everything that goes into a mortgage business, told, explained and analyzed by people who have been successful in it. Don't make the mistake of deferring action because your volume is down a bit, or because you can't see the outline of the future too clearly. The long-term future of your business is *good* and you'll need skilled, competent people to handle it with you. So, that means taking advantage of the one and only educational course offered in the mortgage business . . . MBA's Seminars. Write today for booklet and application form for the Western Seminar at Stanford University August 17 to 21.

Money Earns a Decent Wage

WHAT'S the hard money policy doing to the country? Opinions on that—from the mortgage business as well as from about everyone else—are a dime a dozen. Some praise it, in outlandish terms; others condemn in an equal manner. However it ends, we appear to be witnessing the end of one of the strange paradoxes of our times—the extreme disparity between how *much* saving has contributed to the economy and to our rising standard of living, and how *little* it has been compensated in return.

The meagerness of the saver's reward for this thrift and self-denial is made more apparent by the extent that the other principal segments of the economy benefited from prosperity. Figures from the U. S. Department of Commerce show that the aggregate return on invested savings—interest, dividends and rental income—added up to 22 cents of every dollar of total personal income back in 1929. By 1940 this proportion had decreased to 17 cents. Last year, the return on savings amounted to only 11 cents of the personal income dollar.

By contrast, wages and salaries amounted to 67 cents of the personal income dollar in 1952, as against 63 cents in 1940 and 59 cents in 1929. Income of proprietors has held its own at around 16 cents of the personal income dollar over the years.

In dollar totals, the return on savings has increased, thanks in large part to the great rise in personal thrift over the last decade, both in amounts of savings and in distribution of ownership. The total return on invested savings added up to nearly $31 billions in 1952, as compared with just over $19 billions in 1929; but this represents an increase of only 61 per cent.

As against this, total wage and salary income rose over 260 per cent in the period, increasing from $50.2 billions in 1929 to $181 billions last year; and income of proprietors advanced 209 per cent, from $13.9 billions in 1929 to $42.9 billions in 1952.

The latest increase in interest and money rates received its first major impetus two years ago with the "accord" between the Treasury and the Federal Reserve System to abandon the support of Government bonds.

The decision paved the way for the restoration of free and competitive markets in money and credit in keeping with the recent unshackling of the economy in general from its previous controls. It has brought a modest increase in the return to the saver and a further strengthening in the dollar and its buying power, thereby benefiting the tens of millions of American savers and their "nest eggs" as well as consumers generally.

In addition to an abnormally low return, the saver has been the principal sufferer from inflation. Fortunately, this situation has also shown signs of betterment over the past year; but the fact is that the halving of the dollar's buying power from the beginning of World War II to date ate into the purchasing power of accumulated savings as well as their returns.

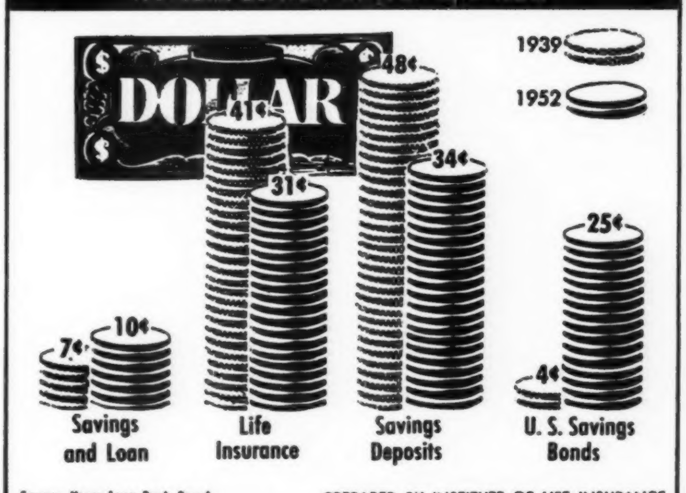
This had its repercussions and created hardships not only for the individual savers and people living on pensions or other types of fixed incomes. It likewise had its impact on the ability of thrift institutions and pension funds to earn for savers a fair return on the money entrusted to them, and on the capacity of nonprofit institutions in the educational, religious, and health and welfare fields to carry out programs for the public benefit as their income from investments receded and prices went up.

And the trend toward higher money is practically world-wide. Taking the return on long-term government bonds as the yardstick, current figures show a rising yield between 1946 and early this year in Canada, Western Europe, South America, and other countries. Switzerland was one of the few exceptions.

The following table gives the changes in the yield on long-term Government bonds of selected countries between 1946 and February, 1953:

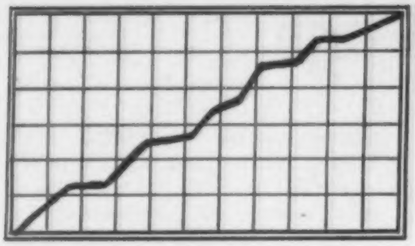
Country	*1946*	*1953*	*% Increase*
Belgium	4.18%	4.46%	7%
Canada	2.61	3.65	40
Denmark	3.55	5.17	46
France	3.17	5.54	75
Italy	3.81	5.36	41
Netherlands	2.99	3.21	7
Sweden	3.01	3.29	9
Switzerland	3.10	2.63	—15
United Kingdom	2.60	4.25	63
United States	2.19	2.83	29

THE LONG-TERM SAVINGS DOLLAR—ITS COMPOSITION IN 1939 AND NOW



Source: Home Loan Bank Board

PREPARED BY INSTITUTE OF LIFE INSURANCE



GOOD BUSINESS

Some More of What We've Had or Maybe a . . .

HOW much longer is the present high rate of production and employment likely to last? Our industries are operating at about capacity. This is indicated by the fact that unemployment has shown a decline of 2.7 per cent of the civilian labor force. An extension of the boom could take the form of a rise in money incomes and prices, but not the use of idle resources.

But our boom has now been continuing for over seven years with only a mild interruption in 1949. The unemployment rate has averaged 3.0 per cent or less for over two years.

Is it reasonable to expect the present high rate of production and employment to continue much longer?

There are reasons for believing that there will be a contraction in business before many months. The present high rate of expenditures on plant and equipment (about $26 billion to $27 billion a year) has been going on for about two years. Most of the special construction required by the defense program has been completed. Reports of planned expenditures on plant and equipment indicate that the present rate of spending will continue for the rest of the year, but the failure of these expenditures to rise above the present rate for two years compels one to conclude that at this late stage in the boom no further increase in these outlays is likely. But after several years of expenditure on plant and equipment at a high rate, a drop in these outlays could easily occur.

Some drop in the present high expenditures on housing seems likely. The increase in the number of households is dropping. It was 1.4 million between 1948 and 1949 and again between 1949 and 1950, 1.1 million between 1950 and 1951, 900,000 between 1951 and 1952, and is expected to drop to 700,000 a year or less during the next several years.

This expected decrease reflects the fact that the number of females reaching the average age for first marriage (20 years) is now *lower than at any time since the early 20s.*

Changing Population Trend

This, of course, reflects the small number of births during the depression years of the early thirties. The expected decrease in the number of households also reflects the fact that the rise in the proportion of the adult population (14 years of age and over) who are married cannot be expected to increase much more. This proportion has risen from about 60 per cent in 1940 to 67 per cent in 1952, and the number of single males of 14 years of age or more has dropped from 17.6 million in 1940 and 14.8 million in 1947 to 12.9 million in 1952. If new households drop to 700,000 a year, new houses will probably not be constructed at the present and recent rates of around 1.1 million to 1.2 million a year. Housing construction will also be discouraged by the rise in interest rates which increase the cost of owning relative to the cost of renting.

Automobiles are being produced at the rate of over 6 million a year. The size of the replacement demand is not known, but it is probably in the neighborhood of 4.0 million a year. Is there a continuing demand for more than 2.0 million passenger cars a year over and above the replacement demand? The annual increase in married couples is about 700,000. If every one of these newly married couples bought a car, the present rate of production could not be sustained unless there were an annual demand of 1,300,000 from the exports, from the increase in car ownership by business concerns, from an increase in the proportion of families owning cars, and from an increase in the proportion of families owning more than one car.

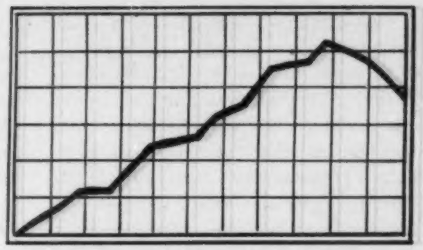
The reasons for believing that there will be some recession in business within the next year or two seem very persuasive. But if a recession occurs, *it will be mild.* Furthermore, it is within the capacity of the government, by good management, to prevent a recession altogether. The quality of policy-making required to prevent a depression is probably better than one has the right to expect of any government.

Nevertheless, the instruments at the disposal of the government are powerful and, if used promptly, ought to be effective in preventing a contraction in business.

My specific reasons for believing (1) that the contraction in business which is probable within the next two years will be mild and (2) that there is some chance of preventing a contraction are:

» The dangerous accumulation of inventories that was resumed in the durable goods industries last fall has ceased. The increase in inventories during the first quarter of 1953 has been at the rate of only about 3 per cent a year. This is about the normal growth of the economy.

LITTLE RECESSION



Is That What's in the Cards Now?

By SUMNER H. SLICHTER

Economist

» No large drop in defense spending seems to be in sight. President Truman proposed increases of about $6 billion for the 1953-54 budget in national security expenditures—that is, expenditures for the armed services, atomic energy, and foreign aid. There has been virtually no change in the annual rate of defense spending since April, 1952. It ought to be possible to keep the current rate of spending about where it is, thus avoiding the $6 billion increase proposed by Mr. Truman.

» The drop in expenditures on industrial plant and equipment will be small. Although the investment boom has been in progress ever since early 1947, or perhaps early in 1946, the country has not been overbuilt. Between the beginning of 1946 and the end of 1952 the industrial plant and equipment of the country outside of households, when expressed in dollars of constant purchasing power, increased by just under 30 per cent. But population also grew, so that plant and equipment per capita increased only 14.2 per cent between January 1, 1946 and December 31, 1952, and plant and equipment per civilian worker only 18.0 per cent. The productive capacity of the economy gained only about 27 per cent between 1946 and the last quarter of 1952, or less than 14 per cent per capita. Furthermore, plant and equipment per capita, when expressed in dollars of constant purchasing power, was no greater than in 1929, and plant and equipment per civilian worker was only 2.5 per cent above 1929.

The large recent expenditures on plant and equipment have just about made up for the abnormally low expenditures during the depressing of the thirties and the war.

Any drop in investment in plant and equipment will be limited by the large volume of industrial research that is now being done. The number of professional research workers in industrial and governmental research laboratories was four times as large in 1947 as in 1930, and it has increased considerably since 1947. The growth of research in the last 20 or 30 years is of great economic significance because it means that the rate at which investment opportunities are developed is becoming more independent of current business conditions than ever before.

» The drop in the outlays on housing is likely to be moderate. Today new houses are competing more effectively with old houses than in times past. This is apparently partly the result of rise in incomes, partly the result of changes in taste which produce a strong preference for new houses, and partly a change in methods of financing (long-term mortgages amortized by monthly payments) which increase the attractiveness of owning relative to renting.

These several reasons indicate that the *replacement demand for houses will be higher than in the past.* There is a growing disposition on the part of the people to prefer living outside centers of population. The five-day week and the prevalence of motor transportation partly explain this change of preference. Finally, there seems to be occurring a considerable increase in the number of families with not less than three children. As a result, a large proportion of the houses built in the last six or seven years will be too small and will either be enlarged or will be sold in exchange for larger houses.

» Expenditures by states and localities for goods and services may be expected to increase. They have been growing at the rate of $1.5 billion to $2.0 billion a year.

A considerable backlog of need for public works grew up during the war when public construction was limited. The need for public works has been greatly increased by the growth in the number of children, the movement of population to the suburbs, regional shifts in population, and the great increase in the number of automobiles.

For example, school enrollments between 1952 and 1957 are expected to increase by five million, or nearly 20 per cent; the truck population of the country has doubled since 1940, and the car miles on American highways are around 70 per cent greater than in 1940 and nearly 40 per cent greater than in 1946. Planning and executing public works is usually a slow process. Hence, much of the backlog of need has not been met and several years at least will be required to meet it.

» Some increase in the demand for consumer goods may be achieved by reducing the proportion of personal incomes saved and increasing the proportion spent for consumer goods. I mentioned that the high rate at which personal indebtedness has been increasing (about $9 billion in 1952) causes the possibility of reducing the rate of saving to be questioned.

Since a drop in the rate at which new debts are incurred would raise the rate of saving, I do not believe that the possibility of reducing the rate of saving is very great, but it does exist. This is indicated by the rise during recent years in various types of liquid savings—currency and bank deposits, shares in savings and loan associations, insurance, and securities. These types of saving increased by $23.7 billion in 1952 in comparison with $18.6 billion in 1951, $11.9 billion in 1950, $9.2 billion in 1949.

There are some types of liquid saving, such as insurance payments, which canot readily be reduced. In 1952, public and private insurance payments accounted for $9.5 billion of saving by individuals. There are, however, substantial possibilities of reducing the increase in individual holdings of time and savings deposits, and of securities. These two forms of savings increased by $8.6 billion in 1952.

The task of persuading individuals to spend a larger proportion of their incomes on consumer goods is the responsibility of business. Business can raise the proportion of personal incomes after taxes spent for consumer goods by offering new and better goods at more attractive prices. I realize that enterprises cannot bring out new and better goods overnight. Every management, however, must be pretty well aware of the possibility that business may contract sometime within the next year or two.

Consequently, *every efficient management must today be getting ready to fight a reduction in its sales by developing new and better products.* If managements are looking ahead as they should be doing to the possibility of a recession within a year or two, they will be taking the steps necessary to persuade consumers to spend a larger part of their incomes on consumer goods. Thus management will be making an important contribution toward preventing the recession that they fear.

» Some increase in personal incomes after taxes may be brought about by reductions in taxes, particularly the personal income taxes and excise taxes.

The present high rates of taxation place powerful instruments of control in the hands of the government. Back in 1929, when personal incomes were

running at the rate of about $85 billion a year, personal income tax payments were at the rate of only $2.6 billion a year. Now, personal income tax payments are at the rate of around $35 billion a year. Individuals in the United States seem to spend over 90 cents out of each dollar, after taxes, on consumer goods. Hence, a reduction of $10 billion a year in personal income tax payments would soon produce an increase of around $9 billion a year in the demand for consumer goods.

A reduction in taxes would require that the government incur a deficit, because defense spending would still continue without much change. The present administration might have some reluctance to incur a deficit. It would obviously be wasteful, however, to allow unemployment to grow in order to keep the budget in balance. Furthermore, the growth of unemployment might easily wreck our foreign policy. A growth of unemployment with its repercussions on the rest of the world, would be particularly intolerable during a period when the nations of the West were engaged in difficult negotiations with Russia—negotiations which, if successful, might bring the Cold War to an end. The enormous economic gains of ending the Cold War would justify several years of budget deficits if this were necessary to avoid jeopardizing the cohesiveness of the Western Alliance and the success of the negotiations with Russia.

Some reduction in taxes is likely to occur during this coming fiscal year with a result that the Federal cash budget will probably show a small deficit. This prospect must be borne in mind in estimating near-term business prospects.

The immediate problem of our economy is one of limiting the demand for goods, particularly preventing too large investment expenditures and too much demand for consumer goods financed by credit.

The moderately tight credit policies of the Federal Reserve and the Treasury are holding investment in check fairly well, but are not preventing an unfortunate expansion in consumer credit. The Federal Reserve System needs authority over the terms of consumer credit as one of its permanent instruments of policy. Unfortunately, the authority of the Federal Reserve over consumer credit was terminated last year—certainly just at the wrong time.

Sometime within the next year or so, the basic problem of economic policy will probably change from one of *keeping expansion under control to one of stimulating demand.* When the need for this change arrives, it is important that it be recognized promptly and that the steps to stimulate demand be taken without delay. Perhaps, eagerness of Congress to reduce taxes will assure that there is even a premature shift from the policy of control to the policy of stimulation. It is better to reduce taxes "too soon" rather than too late. The bad consequences of reducing taxes too soon can be pretty largely offset by noninflationary borrowing. Such borrowing is not likely to be needed for long. If business turns out to be better than expected, the growing yield of taxes will increase government revenues. If business turns down, a government deficit financed in part by bank credit will be needed as a stabilizing influence.

The whole world is highly concerned over the possible consequences of a recession in the United States. I am one of those who believe that *a recession under present international conditions would be a calamity.* The present high taxes give the government a more powerful weapon for combating recession than it has ever possessed. If the government is willing to make prompt and vigorous use of this instrument, any contraction in business can be halted before it has proceeded far.

Factually Speaking—

» Since 1939, the price of clothing has doubled, and the cost of food has more than doubled. But rents went up only about 40 per cent. So landlords' living expenses have gone up 100 per cent but their income has not kept pace. Naturally, landlords can't afford expensive repairs. The U. S. Chamber says rent controls tend to create a perpetual shortage of housing and in time bring about physical decay of all housing.

» This country has almost 60 million acres of land in production for foreign consumption.

» Well over half the cost of World War II was financed by borrowing.

» The Treasury took in more money in the five days March 16-20 than it collected in the 83 years from 1789 to 1872, during which time it fought three wars and bought Louisiana, Florida and Alaska.

» Every time there has been a reduction in federal tax rates, the following year saw an increase in the amount of over-all revenue collected by the government.

» On the average, an investment of roughly $10,000 is required to create one additional job in the United States, according to the U. S. Chamber of Commerce.

USE MBA SYMBOLS ON PRINTED MATERIAL

Hundreds of MBA member firms use the Association's symbol on their letterheads, advertising literature, various forms and other printed material. It identifies them as members of the only national organization of mortgage lenders and investors. These symbols come in four sizes of electrotypes mounted on wood ready to use. Cost: $2 each for No. 3 and 4; $3 each for No. 1 and 2. Order by numbers.

No. 1 **No. 2** **No. 3** **No. 4**

More People Are Saying WE NEED A CENTRAL MORTGAGE BANK

Do we, and what kind and who's got the answer to the $64 question of who will put up the money for it?

FEW ideas in the mortgage business ever attracted quite so much interest—but resulted in less concrete action—than the possibility of setting up for this industry a central mortgage banking system similar, in some respects, to the Federal Reserve Board or the Federal Home Loan Bank system. Today we are witnessing a resurgence of thinking and activity in this effort and, who knows, the time might just be opportune for some definite action.

MBA's own Committee fo the Study of the Stabilization of the Mortgage Market has had the possibility under review for a year. A great amount of careful investigation and study has gone into the project but it still is not enough from which to draw some definite conclusions as to just what might be a sound policy to pursue.

Next meeting of the MBA Committee has been set for late June in Washington for a new look at the project.

Some are looking at the possibility of doing anything at all with a skeptical eye. They say that the need for any such undertaking would be difficult to establish at this time—particularly with a government which is committed to less government in business and to no further encroachment of the federal government into private enterprise. A real need would have to be shown, they contend, and that isn't going to be easy at the moment. Particularly if any kind of federal subsidy, guarantee or tax exemption is provided—and all proposals so far do contemplate something of this kind.

Others whose opinions count for just as much take a directly contrary point of view. This is decidedly the time, they insist. This business of lending on real estate has always needed a stabilizing medium which would iron out the market peaks and valleys for lenders and investors. What better time to create the medium that is needed than right now when the economy is sound but when the financial events of the past two years can be cited as additional evidence for doing just what is proposed.

MBA President Brown L. Whatley goes along with this point of view and said, in his recent editorial statement in *The Mortgage Banker,* that from the long term viewpoint current developments in the home financing industry point more than ever to the need for some such stabilizing influence as a Central Mortgage Bank.

"The voluntary participation of institutional investors in some sort of pooled risk program which would provide adequate safety factors and a proportionate distribution of the burden of bridging periods of uncertainty may be the only substitute for the paternal umbrella of government assistance and direction in our field," he declared.

And now from another source comes a plan, or rather the beginnings of a plan, to do what we are talking about. The source is the National Association of Real Estate Boards which has, for more years than most of its own members can recall, been advocating some kind of central mortgage banking system. It is preparing a plan "to make it easier for home seekers in all sections of the country to obtain mortgage funds at a fair rate of interest and to enable persons with small savings to invest them in real estate."

From the plan is expected, says NAREB, to come federal legislation to create a system of regional mortgage associations, chartered by a Central National Mortgage Association, to purchase mortgages from mortgagees who would be members of the associations, and to issue debentures for public sale against the portfolios of mortgages held. They're discussing it with federal officials and financial institutions now.

Serving as a secondary market to which lenders could sell their mortgages held, the new system of associations would stabilize the mortgage market and provide a constant supply of funds in all sections of the country for lenders desiring to make well-secured loans, NAREB contends. It would break the bottleneck in rural and remote sections of the country in particular, where inadequate turnover of mortgage paper has resulted in home seekers and others being unable to obtain loans. Persons desiring to invest in real estate but who have only a small amount available could purchase debentures.

Under the plan, the Central National Mortgage Association would charter and determine the number of regional mortgage associations and set up regulations for their operation. It would also establish "a sound and conservative system of appraising property" upon which the regional associations would purchase mortgages.

Regional mortgage associations would be chartered originally where most in demand, and they would be permitted to set up branch or district offices within their regions. The minimum capitalization of each regional association would be subscribed originally by the United States Treasury —all ideas provide for government help. As subscriptions from private sources increase, an appropriate formula would be provided whereby the Treasury's participation would be gradually retired, similar to the plan of the Federal Home Loan Bank System.

Each mortgage association would be permitted to purchase all types of first

mortgages on improved property. Against the portfolio of mortgages purchased, debentures for sale to the public could be issued.

The plan envisions the liquidation of the FNMA* and the retirement of the stock subscribed by the Treasury. The FNMA portfolio could be transferred to the Central National Mortgage Association under a trustee account for management. CNMA would manage the account, but as regional associations are chartered that part of the FNMA portfolio which covers real estate in a particular area would be transferred to the regional association for management.

Directors of NAREB, in approving the plan in principle, prescribed that the mortgage associations should ultimately be privately owned by mortgagee members and should not be confined solely to insured mortgages or to housing mortgages, but should deal in all types of mortgages. Their operation should be based upon a sound appraisal system, the directors stipulated.

Well, can the mortgage industry go along with it? That it won't be easy is an understatement. But, first, do we actually need something like this? Thinking in the mortgage industry isn't conclusive on that point. Even one who spends as much time thinking about the mechanics and functions of the mortgage industry as MBA Vice President W. A. Clarke isn't sure. In fact, he told the National Association of Mutual Savings Banks Convention that while all segments of the lending field ought to be giving this idea the closest scrutiny, he could not definitely advocate any specific plan now and was not convinced that the need is here.

Noting that the philosophy of the new Administration is to return to the free market and divest Government of functions competing with business, Clarke suggested considering of such questions as:

(Continued page 33)

*An MBA member recently proposed a plan to "bail out" Fanny May. Melvin Lanphar, of Melvin F. Lanphar & Co., Detroit, proposed a plan to bail out the portfolio and help many banks to get out some of the losses which they have on Government bonds.

"There are billions of dollars worth of long-term Government bonds held by banks and insurance companies throughout the country," Lanphar said. "Most banking and insurance departments require that they write down to market, bonds carried in their own portfolio when bonds go below the purchase price. This means that these institutions have a loss from part of approximately seven points in their long-term Governments. This condition could operate very definitely to the detriment of the banks and insurance companies, and might even be great enough to cause insolvency of some banks forcing the FDIC to take them over. This might get bad enough to start another bank holiday or loss of confidence such as caused our 1932 depression.

"I propose that banks and insurace companies having less than their legal requirement of mortgages, and who, at the same time have Governments below par or cost, trade them at par to FNMA for GI loans. All FNMA servicing contracts permit the buyer of the loan to take over the servicing, therefore, the return to the bank or insurance company, assuming they service the loans themselves, would net them 4 per cent less their overhead, or would net them 3½ per cent if serviced by some other servicing organization.

"(a) This would give the bank or insurance company a yield of 3½ per cent or 4 per cent instead of 2 per cent to 3 per cent on the market or cost price of the bonds.

"(b) This could result in a profit to the institution purchasing FNMA loans where they turn in bonds which they have purchased below par.

"(c) This could help to stabilize the Government bond and money market, by purchases of Government bonds at market, to exchange with FNMA for mortgages at par.

"(d) This would give them an asset that under the regulations in most States they would not be required to carry at less than par.

"(e) This might prevent insolvency and all of its attendant repercussions.

"(f) This would give FNMA bonds which they could turn into the Treasury for cancellation at par, thus reducing FNMA's obligation to the Treasury, and reduce the national debt by the amount repaid. This would not help to balance the budget, but would reduce the carrying cost of the national debt.

"This plan, if adopted, would also make it possible for FNMA to resume the buying of FHA and VA loans at the present rates, and at whatever the increased rates might be if and when adopted. It seems to me that it could be a continuous thing as long as the FHA-VA, bond and money markets remain substantially as they are now and could probably continue to operate even after FNMA had repaid the Treasury the advances which the Treasury made to establish FNMA. A continuance would, of course, enable FNMA to continue to operate as a necessary secondary mortgage market, and the cancellation of the bonds would help to reduce the outstanding national debt as well as the carrying charge on it."

Why MBA Membership Is Valuable *for* Title Insurance Companies

IT IS difficult to conceive of anyone in a title insurance company, or anyone in a local title or abstract company representing a title insurance company, not being interested in the problems and accomplishments of the mortgage banker. One of the prime requisites of any successful business is to know the requirements of its customers.

How long would a department store stay in business if it did not keep abreast of the changing styles? Those in charge of buying for large department stores are key personnel. They are charged with the responsibility of buying the styles, quantity and quality of the merchandise the customers of the store want. It is their job to order today the right merchandise to fill the orders of the store's customers and potential customers weeks or months hence. There are many methods of anticipating the whims of the public, and the most successful stores employ the buyers who are most successful in foreseeing the customers' requirements.

Certainly, the business of the mortgage banker represents a sufficient potential to title insurance companies and title insurance company agencies to warrant keeping informed concerning the changing conditions in the mortgage loan business, so that the kind of service the mortgage banker desires may be furnished.

That may seem like a complete answer to the question, "Why should a title insurance company be a member of Mortgage Bankers Association?" But it is really an over-simplification.

Let's face it! A person or company joins a national "trade" association for selfish reasons. Maybe the benefit will come from an exchange of ideas; or learning of some simplified procedure which will save office expense; or from the proper presentation of the industry's views to government agencies; or from making new and profitable contacts; or from merely making new friends.

But for the majority of the members of any national association, there is a good bit of giving mixed with the getting.

This is particularly true in the case of title insurance companies as members of MBA.

The periodicals of MBA promptly and thoroughly report all accomplished, proposed or threatened changes in conditions that will affect the mortgage banking business. *The Mortgage Banker* devotes many of its pages to analyses of the trends and the direction these changes indicate. On other pages will appear intelligent and concise estimates of the effect of recent events on the mortgage banking business. This magazine alone is valuable to a title insurance company. But MBA does not stop there.

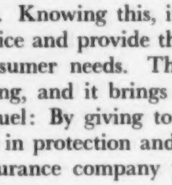
As *The Mortgage Banker* is a monthly publication with a normal deadline time-lapse, MBA Newsletters report most actions or shifting conditions within a matter of days, and MBA goes even further than that. Frequently, the Washington office of the Association will feel a government move or contemplated move warrants a special bulletin to members.

With the information broadcast in these three publications, a title insurance company can keep abreast of developments in the national mortgage field and, so, be cognizant of the requirements of the consumer of his product. Knowing this, it can render the service and provide the protection the consumer needs. That's part of the giving, and it brings on the normal sequel: By giving to the insured the best in protection and service, the title insurance company promotes its own success.

To further promote the dissemination and exchange of ideas, MBA holds annually a national convention and, in addition, regional and state clinics and conferences which highlight problems and conditions at the local level.

By attendance at these meetings, title company representatives make new acquaintances and lasting friendships. They do a public relations job for their company which cannot be duplicated in any other way.

These meetings are important to a title company from another angle. Under present conditions, the ulti-



By GEORGE C. RAWLINGS

Executive Vice President, Lawyers Title Insurance Corporation

Another in the series of articles about the advantages which MBA membership has for the various classes of institutions with an interest in the mortgage industry.

mate purchaser of a mortgage may be thousands of miles away from the insured property. Attendance at the regional and national meetings affords an opportunity to the title company representatives to discuss with mortgage lenders the different laws, customs and practices affecting the title business in various states or regions.

When title insurance company membership in MBA is thus evaluated, it is easily understood why, in all of the history of MBA, only one title company has ever withdrawn its membership and, now, there are more than 100 title insurance and abstract companies on the association's membership rolls.

CENTRAL MORTGAGE BANK

(Continued from page 31)

» Should not a central mortgage banking system be created to provide mortgage service, particularly for non-city and semi-rural areas where mortgage funds are now often difficult to get and to take over functions now performed by Government agencies?

» If FNMA and the direct loaning of the Veterans Administration are to be discontinued, should not lenders consider it their responsibility to take over the portfolios of these agencies and administer them possibly through the Central Mortgage Bank?

» Are we not inconsistent when we complain of controlled interest rates, and then let Government guarantee all the risks, and therefore should not the Federal Housing Administration be privately owned by private lenders much as the bankers own the Federal Reserve System?

» When and if private industry takes over the risks and responsibilities in the mortgage field, should not ceilings on rates be abolished and borrowers given benefit of lower rates when mortgage money is low as well as charged more when the cost of money rises?

He pointed out that ceiling rates also become floors, and that instead of selling VA and FHA mortgages as premiums when money is cheap, the mortgage borrowers should have been getting lower interest. The reverse should be true, with rates varying around the country so that mortgage funds would flow where they were most in demand.

He said that he was not advocating the Central Mortgage Bank, and did not know the answers, but that the savings banks should add their studies to those being made by the Mortgage Bankers Association and the insurance industry. The lending industry, he said, has the responsibility for making the free market work in the mortgage field.

Other recent discussions of the Central Mortgage Bank in The Mortgage Banker: June, 1952, "Make Fanny May a Central Mortgage Bank" by Benton B. Wolfe; August, 1952, "The Industry Needs a Central Mortgage Bank" by J. J. Braceland; and March, 1953, "If a Central Mortgage Institution, What Kind?" by Miles L. Colean.

» YOUR HOME AND MINE: That's the title of a remarkable book* published not long ago, written by Frank Watts, assistant treasurer of MBA member firm J. E. Foster & Sons, Inc., Fort Worth. It's a good book and one that, it seems to us, might very well be in every mortgage office. It probably will surprise many sophisticated lenders and investors to learn some of the things they will find out by reading *Your Home and Mine.* Any veteran will find it tremendously valuable, any prospective home buyer will discover in it an excellent guide to what he should know. Because what Mr. Watt has done, in remarkably few words and in well-organized material, is spell out, interpret and analyze the factors that count in home buying and particularly in the instrument that makes most home buying possible: the mortgage.

*Your Home and Mine by Frank Watts. 150 pages. $3. Published by The Naylor Company, 918 N. St. Marys Street, San Antonio.

» AND SPEAKING OF BOOKS: There is another book that is making quite a dent in mortgage thinking these days and it's MBA's own *Mortgage Banking* by Robert H. Pease and Dr. Homer V. Cherrington. First printing ran over two thousand copies, considered excellent in the book field for a technical text of this kind. And the orders are still coming in. Scores of colleges and schools have bought in quantity lots. What's important is that the work is becoming recognized as the standard reference in the mortgage industry. Did you get a copy? Better order now, addressing your inquiry to McGraw-Hill Book Company, 330 West 42nd Street, New York. Price $7.50 per copy. Every mortgage office needs it.

LIFE COMPANY LOANS

For the mortgage man who hasn't been disposing of the volume of loans he would like to, life company figures for the first quarter of this year would appear to indicate that *others* may have been doing the selling. For the life companies bought mortgages. Mortgages added during the quarter topped a billion, totaling $1,077,000,000. This was $75,000,000 larger than such acquisitions in the first quarter of last year and was exceeded in only one previous first quarter, in 1951.

Total new investments in securities and mortgages in the first three months of this year were $3,148,000,000, slightly less than in the like period last year, and total assets rose to $74,295,000,000 on March 31. The net increase in assets in the three months was $1,261,000,000. A year ago, the March 31 assets were $69,250,000,000.

>> **BONDS BOUGHT:** Loans to business and industry, in large part for the expansion of plant and equipment, accounted for more than one-third of all new investments in mortgages and securities.

The companies' acquisition of corporate bonds totaled $1,110,000,000 in three months, while stock purchases were $61,000,000, bringing aggregate corporate securities acquired to $1,171,000,000. This was 5 per cent less than corresponding investments in the first quarter of 1952.

SAVE OUR CITIES

Cleaning up American cities, elimination of slums and acting to prevent further blight are long-term objectives which the country is going to be a good deal more conscious of in the immediate years ahead. At MBA meetings in recent years, mortgage men have heard all angles of these problems discussed. Now, as a result of all the accumulated discussion and planning, some definite action seems to be coming. NAREB has a plan revolving around the creation in cities, under state-enacted enabling lesiglation, of community conservation commissions, and calling for the use of firm enforcement of local health, safety, and housing standards, redevelopment of sites on which structures unfit for rehabilitation now stand, and rezoning in connection with replanning of neighborhoods to improve living conditions, neighborhood amenities, and municipal facilities within them. This is the essence of the famed Baltimore plan.

Broader objectives of the plan are to eliminate blight and slum conditions which cannot be dealt with adequately through enforcement of city codes alone.

A community conservation commission, called for in the plan, would have power to establish in a city, with the approval of the city council, neighborhood conservation areas. These areas could be predominantly residential, commercial, industrial, or of diversified character, in which there exist over-crowding, unsanitary conditions, dirt, disorder, and dilapidation. Each such area would have boundaries to constitute a natural and convenient entity for citizen cooperation and execution of a neighborhood plan for conservation, improvement, and development. The commission, in cooperation with the city planning commission, would make a plan for reaching these objectives and carry out the plan.

>> **ITS POWERS:** In addition to coordinating local law enforcement, the new commissions would have power to:

>> Prohibit the occupancy of any building not complying with city ordinances establishing minimum acceptable city standards of occupancy, maintenance, and repair of property.

>> Acquire, through purchase or condemnation, buildings that cannot be made to comply with the neighborhood plan, or which cannot be made to comply with city ordinances establishing minimum standards of occupancy, maintenance, and repair, for the sole purpose of razing or removing the building. Under this procedure the land would remain in possession of the owner and could be redeveloped, or sold for redevelopment for any purpose consistent with the neighborhood plan under modern zoning, building, and housing codes.

>> Acquire, through purchase or condemnation, land and buildings when the sites are needed for privately-owned facilities such as parking areas, especially in industrial and commercial districts, or for replatting, when such acquisition is essential to carrying out the neighborhood conservation plan. Land so acquired would be replatted and/or restricted to use in accordance with the plan, and would have to be sold by competitive bidding within a year from the date of acquisition.

>> Levy a small tax on all property within the city to provide a revolving fund for administration of the program. Part of this administrative fund would be used to make advances where property owners are proven unable to secure private financing for complying with an order of the commission to bring a family dwelling up to the legal minimum acceptable city standards. Such an advance would be a special assessment lien upon the particular parcel of real estate and would be repayable to the fund on terms established by the commission.

>> Levy special assessments on each parcel of property within a neighborhood conservation area, after approval by a majority of voters in the area,

to provide funds for necessary acquisition of land and buildings in carrying out the neighborhood conservation plan. Property owners would have up to 10 years to pay the assessment in annual installments. Assessments of property whose owners elect to pay in annual installments would go to a special bond lien, and the bonds would be marketed by the commission.

»THE U. S. ROLE: Role of the federal government called for in the NAREB plan is to:

» Provide maximum marketability at the lowest possible interest rates for the assessment bonds sold by local community conservation commissions by insuring the bonds through an appropriate federal agency. The low interest rate so attained would be the interest rate paid by the property owners on the assessment liens.

» Provide maximum encouragement to citizen participation in slum elimination by amending federal income tax laws to provide that the residual value of any structure razed within a neighborhood conservation area shall be deductible in any one year, or spread over a period of 2, 3, 4, or 5 years, at the option of the taxpayer in calculating his income tax. (State governments are asked to make a similar provision in state income tax laws.)

» Encourage new capital investment within neighborhood conservation areas by allowing depreciation for income tax purposes of the total cost of new capital investment within such areas at a rate not to exceed 20 per cent in any one year, at the option of the taxpayer. (State governments are asked to make similar provisions.)

» Assure maximum availability of mortgage financing and encouragement to private rehabilitation, new construction, improvement, and development in neighborhood conservation areas by amendments to the laws governing federal mortgage insurance to meet the special needs of neighborhood conservation areas for mortgage financing.

WE'VE GOT BIG DEBTS

Worried about the country's mounting debt? Some in Washington profess to be quite worried, particularly about consumer debt and declare that these credit controls were dropped just at the wrong time. Individuals sank $429 million deeper into debt during March to bring consumer borrowing above $25.6 billion—up $5 billion from a year before. The March gains pushed total consumer credit to within $30 million of the record set last December.

Consumer instalment credit for such things as automobiles, television sets, furniture and home repairs rose $422 million during March to a high of $19.3 billion. This was $4.7 billion more than 1952 levels.

March was the 12th straight month that instalment borrowing has topped the preceding month's level. The boost this March compared with a decrease of $5 million in March, 1952, a drop of $44 million in March, 1951, and with a gain of $216 million in March, 1950.

Consumer debt isn't alone in holding at high levels. Mortgage debt is holding to a lofty peak. Outstanding home mortgage debt rose by $6,200,000,000 in 1952, to the record figure of $58,000,000,000. These figures cover mortgages on one to four-family nonfarm houses.

The year's growth of indebtedness is somewhat smaller than in 1951 or 1950, but greater than for any other previous year. Each of the major types of lenders participated in the increase of mortgage portfolios in 1952.

Since 1939 the balance of mortgage debt has grown by over 250 per cent, which is about equal to the rise in personal incomes in the nation during that period. The debt has *tripled in size* since the end of World War II.

In 1952 itself, continued building activity and a strong market for existing homes combined to produce an all-time peak year for home financing volume. About $18,000,000,000 of mortgages of $20,000 or less were recorded with local authorities during the period, a rise of 10 per cent from 1951.

"AUTHORITIES" GROW

The "authorities" that the mortgage business knows best are the housing authorities which issue the public housing bonds, but the "authority" development has taken root in many other places as well—deep root. It's a significant development in the field of government operation and finance, this expanding use of the authority principle as a medium for putting certain types of public services and facilities, formerly supplied and supported by the public purse, on a pay-as-you-go basis.

The boom in toll roads has made them the best-known nationally of the authority type of operation. However, authorities (or districts or commissions, as they are called in different areas) are now providing a great many other public services on a revenue-producing basis. Among these, in addition to highways, are transit, ports or navigation, airports, bridges, tunnels, hospitals, levees, even parking lots and of course housing.

A basic element in the way they are run is that the user pays the freight through tolls or other charges, usually set at levels which not only cover operating costs but debt service as well. Thus in certain areas of government operation the overburdened taxpayer is getting some break, small

though it may be when compared with the tax and debt load as a whole.

However, being governmental in nature and origin, these authorities enjoy the vital advantage of tax exemption. This gives them a big edge over private business, especially in these days of record tax rates, and vitiates any comparison between the two with respect to operating costs and charges.

Authorities provide certain basic advantages over the more ordinary form of government operation. They can, for example, cross state lines, as evidenced by the Port of New York Authority, the Delaware River Joint Commission, and the Bi-State Development District in St. Louis.

Then, too, they permit the pooling of resources of small governmental bodies to provide services and facilities beyond the ability of any one individual community. For example, the Allegheny County Sanitary Authority, in Pennsylvania, is now trying to solve the sewage disposal problems of a whole county of 1½ million people. In addition, authorities permit the efficiencies of large-scale operation.

British in origin, authorities started in this country three decades ago when New York and New Jersey set up the Port of New York Authority. It was modeled after the Port of London Authority, which was established before World War I. Their growth in this country has been particularly rapid since the end of the last war, stimulated by the difficulty communities and states have had in providing new services and facilities, or maintaining existing ones, as the result of inflation, revenue problems, and other conditions.

SITUATION NOT GOOD

On the gloomy side is the phrase for NAREB's semi-annual survey of the real estate market—at least as far as the financing end goes.

Home seekers are finding conventional loans scarce in many areas, with little prospect of an improved situation during the second half of 1953, it says.

Borrowers, in smaller cities in particular, are confronted with a difficult market, with only one community in four having a population under 25,000 listing funds readily available at par for single-family residential structures. For cities of all sizes, only half of them report this desirable situation. In more than 2 per cent of the cities, no mortgage money is available at all.

For multiple-family structures, not even a third of the cities report mortgage money readily available at par for conventional loans, and 6 per cent say that it is completely unavailable.

In the opinion of 71 per cent of the boards reporting, moreover, the mortgage money supply at par for conventional loans will remain the same during the last six months of this year.

Prospective home purchasers looking for VA and FHA financing were meeting with disappointment early in the year, NAREB observes. Shortage of mortgage funds for these programs was repeatedly noted by the real estate boards. Where the scarcity is attributed to the interest rates, government action in raising those rates may correct the situation in some areas.

However, other facets of the mortgage money problem are affecting the real estate market in general, and inevitably their influence will be felt in the stream of GI and FHA-insured loans.

While a tendency toward higher interest rates for conventional first mortgage loans is confirmed by reports received from a number of real estate boards, the most common rate continued to be reported at 5 per cent. A wide variation in rates related to the size of city and geographic location, however, emphasizes the caution necessary in attempting nationwide interpretation.

The reporting real estate boards were almost unanimous (99 per cent) in predicting higher interest rates or continuation of current ones during the next six months.

Lack of an adequate secondary market to which lenders can sell their home mortgages to replenish their supply of funds for more loans was reported by two-thirds of the 264 real estate boards.

NAREB observes that this points up the need for a system of regional mortgage association such as it recently proposed *(see page 30)*.

Irving Rose: president, Edward Rose & Sons, home builders, was elected President of First Mortgage Corporation, Detroit, and Sidney P. Kaye, former vice president, was elected executive vice president. **Benton B. Wolfe,** former president, resigned. Rose is a director of the Michigan Association of Home Builders, alternate Director of the National Association of Home Builders, and a member of the Society of Residential Appraisers.

Irving Rose

Sidney P. Kaye

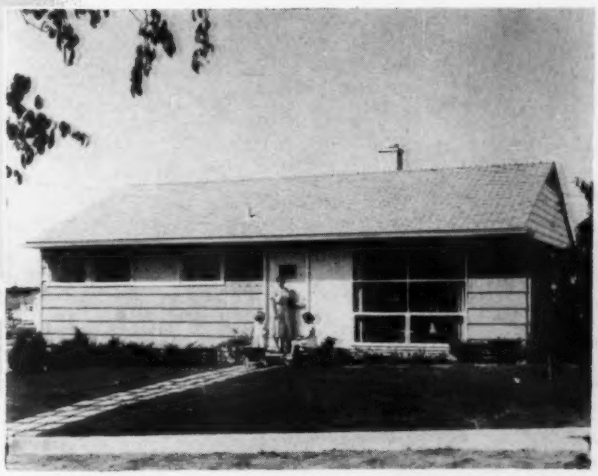
Most local MBAs are closing down this Summer with their customary annual outings. **Detroit MBA** has scheduled its affair for June 23 with golf the main feature of the day. **Chicago MBA** is planning its event for July but, before that occurs, the Association is having a luncheon meeting June 22 when members will hear **MBA President Brown L. Whatley.**

NOW...50,000 NATIONAL HOMES!

Snapshots from the National Homes Album of Progress

This Record for Home Production Proves The Soundness of National Home Mortgages

The demand for National homes clearly indicates America's preference for these luxury-styled, functionally designed, precision-made, reasonably priced houses. Such popularity is constantly increasing the sound, long-term investment opportunities offered by National home mortgages.



Best Seller of '53—the National "CORONET"

National HOMES®

NATIONAL HOMES CORPORATION

LAFAYETTE, INDIANA • HORSEHEADS, NEW YORK

QUALITY AND STYLE IN ALL PRICE CLASSES

FRED P. TOSCH, Inc., Buffalo, N. Y.

"In the past 2½ years we have built 300 National homes in a fully diversified housing program. We have found buyers of our $6,900 National home as enthusiastic and well satisfied as those who purchased the $14,500 Monterey. As builders of National homes we can offer quality, livability and good appearance in all price classes."

FRED P. TOSCH, President

COMMENDED PARENTS' MAGAZINE

Guaranteed by Good Housekeeping

National Homes' prefabricated panels and structural parts as they leave the assembly plant carry the Good Housekeeping guarantee seal and the Parents' Magazine seal of commendation as advertised therein.